

A STUDY TO ASSIST THE DEPARTMENT OF STATE
IN AN EVALUATION OF THE COMPENSATION SYSTEM
OF THE
UNITED STATES FOREIGN SERVICE

VOLUME II
APPENDIX

Atlanta
Auckland
Barcelona
Bellevue
Bogota
Boston
Brussels
Calgary
Caracas
Chicago
Dallas

Dublin
Edinburgh
Frankfurt
Helsinki
Kansas City
London
Los Angeles
Madrid
Manchester
Melbourne
Mexico City
Milano
Minneapolis
Monterrey
Montreal
New York
Paris
Philadelphia
Pittsburgh
Rio de Janeiro
San Francisco
Sao Paulo
Seattle
Sydney
Toronto
Utrecht
Vancouver
Washington, DC
Wellington

Prepared for the
Department of State
Pursuant to
Contract No. 1025-925135

By:

Hay Associates
1100 Seventeenth Street, N.W.
Suite 507
Washington, D.C. 20036
(202) 331-0430

May 1979



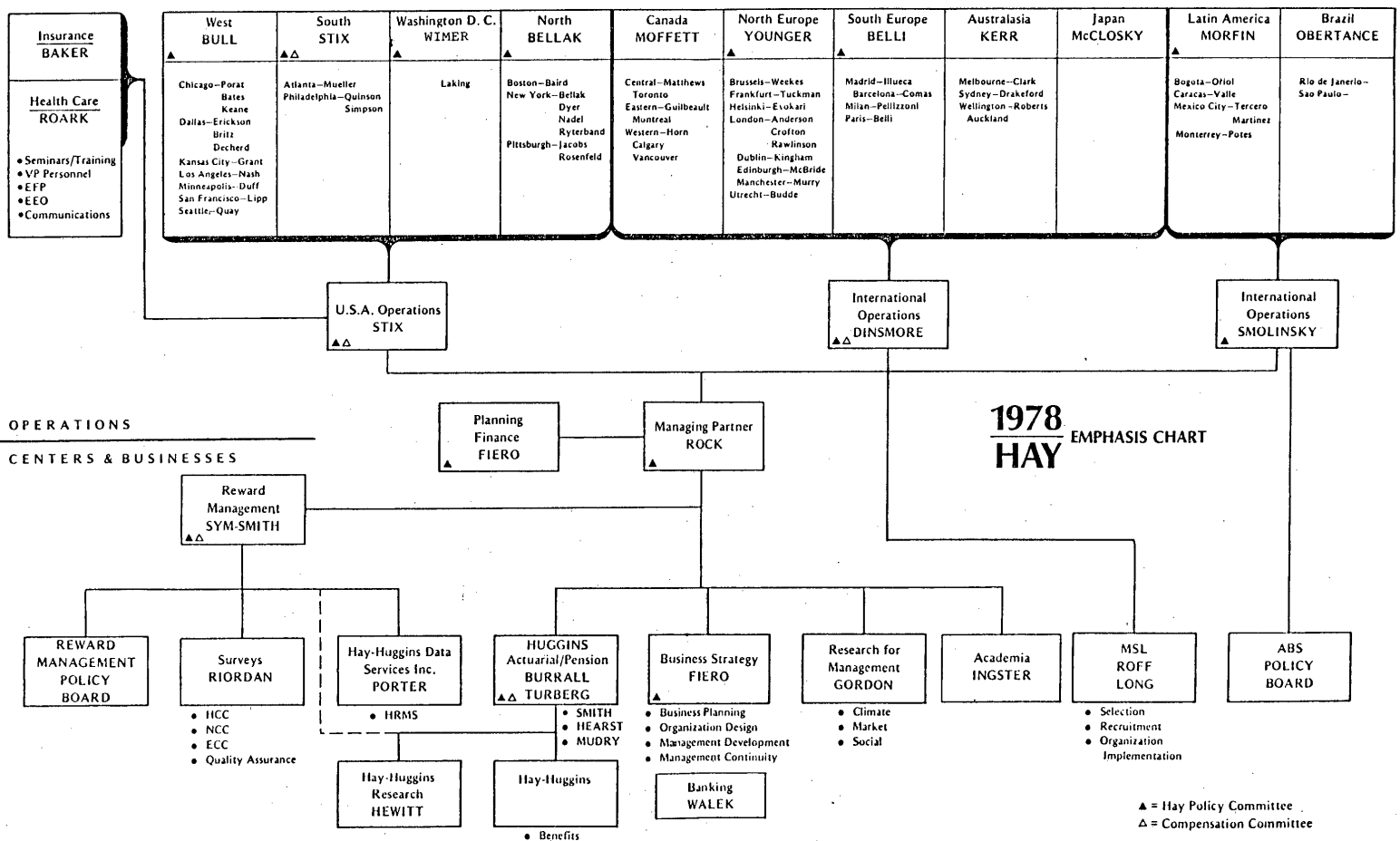
HAY ASSOCIATES
WASHINGTON, D. C.

TABLE OF CONTENTS/VOLUME II

APPENDIX

- A. Hay Capabilities
- B. Sampling Analyses
- C. Hay Guide Chart Method of Job Evaluation
- D. State Department Guide Charts
- E. Profiling: "Why Down is Beautiful" (Hay M&M, No. 235)
- F. Foreign Service Evaluations
- G. State Department Paper Addressing the "Overseas Dimension"
- H. 1978 Hay Nonexempt Survey Participant List
- I. 1978 Hay Cash Compensation/Noncash Compensation Participant List
- J. Hay Cash Equivalent Benefit Values Method
- K. Summary of Foreign Service, General Schedule, American Business and Selected Multinationals' Benefits
- L. Summary Description of Foreign Service and Private Sector Overseas Benefits and Allowances
- M. Estimated Foreign Service Family Size Calculations
- N. References

A



ADMINISTRATION

REGISTRATION

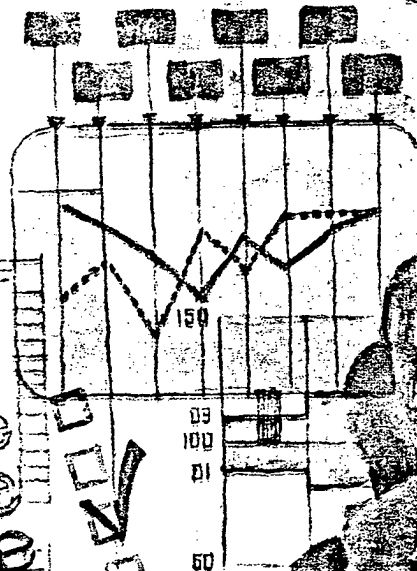
BANCAMP

HAY

DIMENSION

STUDY

questionnaire
questionnaire
questionnaire
questionnaire
questionnaire



| | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
| 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 |



HAY ASSOCIATES

MANAGING IN THE 80's

Successful management in the 80's will require knowledge, processes and technology barely conceptualized two decades earlier. Sweeping socioeconomic change throughout the world will create problems as well as opportunities of a magnitude never before experienced. Each company or institution—whether it be a far-flung transnational industrial complex or a local health clinic—is a microcosm of this world of change, and will be challenged to optimize the opportunities that such change presents.

Hay Associates stands ready to assist in this process of change through its unique range of professional services developed over 33 years and offered from its present network of 34 offices in 17 countries.

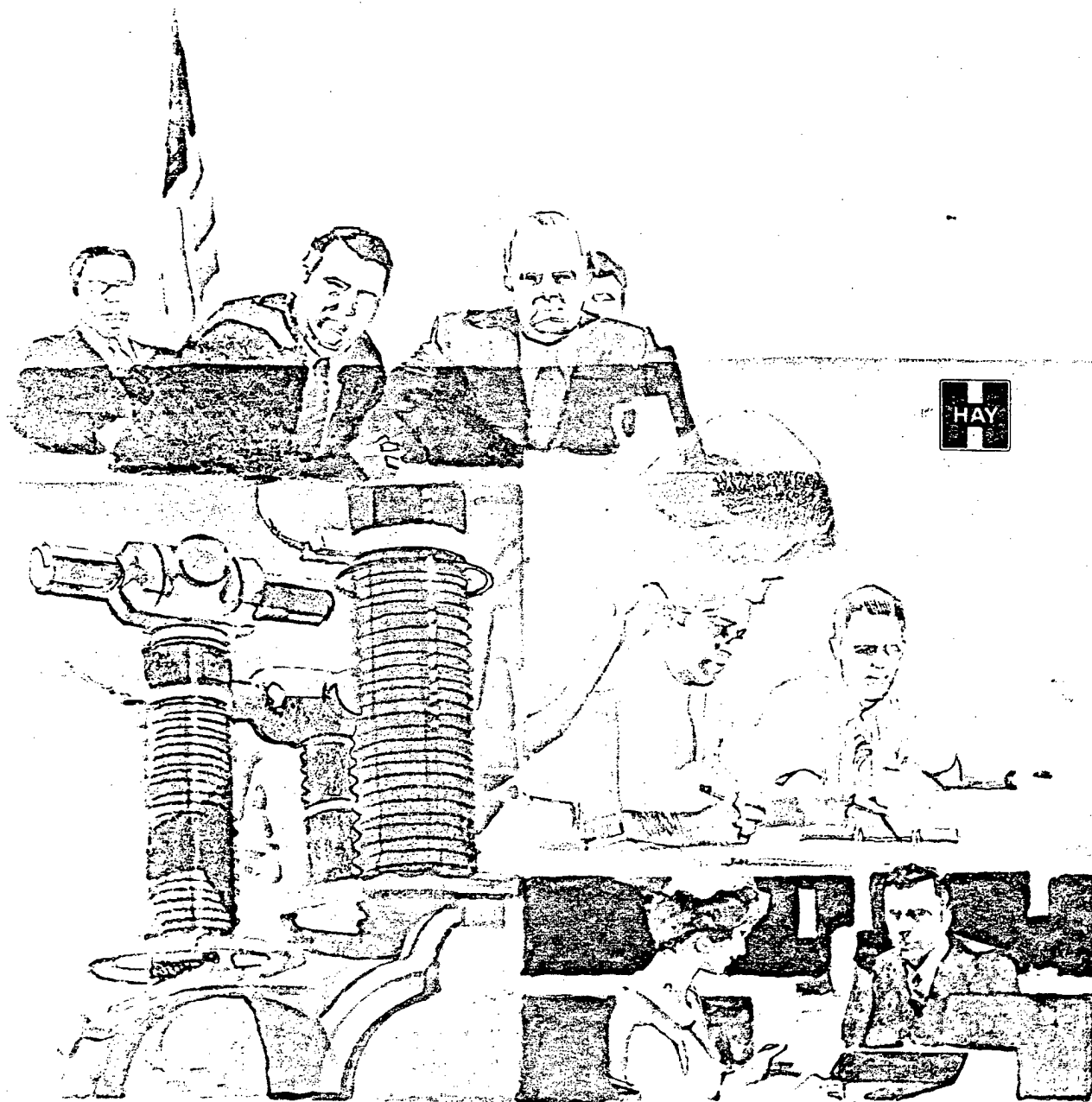
Hay's entire effort has been directed toward providing support, analysis, and implementation services to client management through application of its wide ranging specialized products. A unique "capital," upon which its consultants and clients draw, is its basic data bank comprised of two carefully balanced and interwoven elements: knowledge and technology.

The concept is straightforward: Hay knowledge translates into Hay technology and, from there, into learned processes. These processes, communicated and refined through experience and application, are transmitted to Hay consultants worldwide, and thus ultimately constitute our range of consulting services.

But while the concept may sound relatively simple, the extent of knowledge and the forms that Hay technology takes, which give the concept substance, are not. For example, survey knowledge of reward management transfers into a technology which, as transmitted to Hay's compensation center staff, enables it to supply clients with information not available elsewhere. Its knowledge of actuarial science and mathematics, to take another example, translates into a technology of benefits, pensions and actuarial studies which is transmitted to clients through a staff of highly skilled professional actuaries. The list goes on, including measurement (social, market, opinion, climate, human resource assessment), business planning and strategy, behavioral science and communications.

Hay Associates, with its vast storehouse of knowledge and technology and its creative and results-oriented professional and support staff, looks forward in the 80's to extending the "edge" in human resources consulting that it has earned over the years. This brochure was designed to provide an overview of the kinds of services that we offer; the range of organizations we continue to serve; and, more importantly, the kind of consulting philosophy that has guided Hay in the past and which will allow its staff to maintain its position of consulting leadership with future generations of management.





- Managing in the 80's
- Reward Management
- Human Resources and Measurement Technology
 - Business Planning
 - Specialized Services

REWARD MANAGEMENT

Hay's position of leadership and acknowledged accomplishment in total compensation planning is unique throughout the developed countries of the world. During its more than 33 years of intensive experience and advancement of innovative and results-oriented concepts, Hay's participation in the development of total reward management systems has earned unequalled recognition.

Some of its principal services in reward management include:

- Job analysis and evaluation
- Cash compensation surveys
- Management incentives
- Employee benefit and actuarial services
- Sales incentives
- Salary planning and administration
- Communications

JOB ANALYSIS AND EVALUATION

Through its extensive experience and pioneer work in job measurement, which formed the foundation of Hay's original consulting efforts, a specialized measurement and process knowledge and technology was developed. Its copyrighted Guide Chart-Profile Method of Job Evaluation evolved as the standard against which other job measurement systems would be compared. Providing a systematized approach to measuring job worth for any and all positions in an organization, pay comparisons between companies on the basis of common standards of job content could finally be accomplished. Hay measurement technology showed that some elements of job content are present in varying levels in all jobs, from maintenance staff to chief executive and operating officers. As expressed in Hay language, these elements are Know-How, Problem Solving and Accountability. Each of these components is measured in points, with the total being an expression of the position's weight relative to all other jobs within the particular organization.

The Hay job analysis and evaluation technique is unmatched in experience, with well over hundreds of thousands of individual jobs having been analyzed and evaluated all over the world. While job evaluation has been employed primarily in compensation work, other uses include applications to assure EEO compliance, assess organization effectiveness, assist in manpower planning, and the customization of developmental programs.

CASH COMPENSATION SURVEYS

Once the backbone of Hay consulting, cash compensation work is firmly anchored in the concept that pay must be externally competitive and internally equitable. Achievement of these objectives is increasingly difficult to attain by the changing values and objectives within companies as well as ever-increasing pressure from their various publics. Defining an appropriate strategy for an organization and subsequently ensuring that it is supportive of its other long-term organization and business plans can no longer be left to chance.

To assist clients assess their relative levels of pay practice against both general and specific industry norms, Hay annually provides comprehensive compensation surveys. These Compensation Comparisons, now nearing the quarter-century mark, form the foundation for compensation planning for nearly 1500 participating companies in over two dozen countries.

Additionally, the Hay Executive Compensation Comparison provides a detailed analysis of cash and noncash compensation standards for key management positions representing both operating and staff functions. This survey is complemented by annually conducted special industry, job-family, clerical, higher education, and regional surveys.

MANAGEMENT INCENTIVES

In addition to the basic commitment represented by salary and noncash plans, variable compensation schemes form an integral part of the industrial executive's total reward management program. Designed to stimulate overall excellence and to provide significant economic opportunity to key management and professional executives, such plans can offer a variety of cash or cash-equivalent payment methods to achieve an optimum balance among the needs of the executive and those of the enterprise and stockholders.

EMPLOYEE BENEFIT AND ACTUARIAL SERVICES

With the creation of Hay-Huggins, resulting from the affiliation with Huggins & Company, Inc., Hay provides consulting and actuarial assistance in benefit plan design backed by a research arm that keeps abreast of employee benefit trends, innovations and statutory requirements. A Hay-Huggins Noncash Compensation Survey which covers the benefits, personnel policy, perquisite and communications practices of over 450 industrial, financial and service firms is produced annually.

Benefit value comparisons, total remuneration ("R" Charts), communications programs, and employee preference studies are all part of the Hay-Huggins service armamentarium.

SALES INCENTIVES

Over the years, Hay's leadership in sales incentive design has become apparent. It is firmly committed to the concept that sales motivational systems should accurately reflect and recognize the salesman's individual contribution to the achievement of company or corporate sales goals. Design and application of systems that truly motivate are Hay hallmarks of competence in such diverse and complex marketing environments as health care, transportation and banking.

SALARY PLANNING AND ADMINISTRATION

Recent developments have stepped up the demands upon salary administrators to resolve persistent problems of inequity in employee pay practices. Greater sophistication in the manner in which salary programs are conceived, planned and implemented is now demanded. Too often, management is caught short between a stated salary policy and an apparent inability to implement it. From its vantage point, Hay assists clients in their salary planning, program implementation and administration needs by developing policies, procedures and administrative guidelines, and offers technical assistance in designing and implementing formal salary planning and budgeting processes.

COMMUNICATIONS

Companies make major investments in their communications and benefits programs. Often these programs are not well understood and, frequently, even misunderstood both by employees and the managers accountable for their administration. An effectively structured and professionally prepared communications program, using a variety of media, can enhance the value of existing programs and simultaneously create the climate for capitalizing on new ones.



HUMAN RESOURCES AND MEASUREMENT TECHNOLOGY

Using its data bank as a base, Hay has developed an extensive range of professional services which are essentially highly-sophisticated measuring and appraisal processes. These processes are designed to detect weaknesses, as well as strengths, of individuals with respect to selection, training and development, work performance, and for determination and assessment of the performance of the enterprise as a whole and of individual units and functions within it. Hay classifies these services as follows:

HUMAN RESOURCES SELECTION, TRAINING AND DEVELOPMENT

- Personnel assessment and selection
- Test appraisal and validation
- Test construction and development
- Manpower assessment
- Manpower training and development

EMPLOYEE RELATIONS SERVICES

- Hay employment systems analysis
- Labor relations and strategy

COMPUTER TECHNOLOGY

- Human resources management systems
- Information systems
- Pensurdata

RESEARCH FOR MANAGEMENT

- Public opinion and marketing research
- Management and organizational climate studies
- Employee attitude surveys
- Management practices surveys

HUMAN RESOURCES SELECTION, TRAINING AND DEVELOPMENT:

• Personnel Assessment and Selection

Selecting, transferring, promoting and otherwise changing the status of personnel on qualifications only, without regard to race, religion, sex, age or national origin, are difficult at best. The search for tools and methods that provide a legal basis for judging the worth

of an applicant or employee has, for many firms, been a challenge of the highest order.

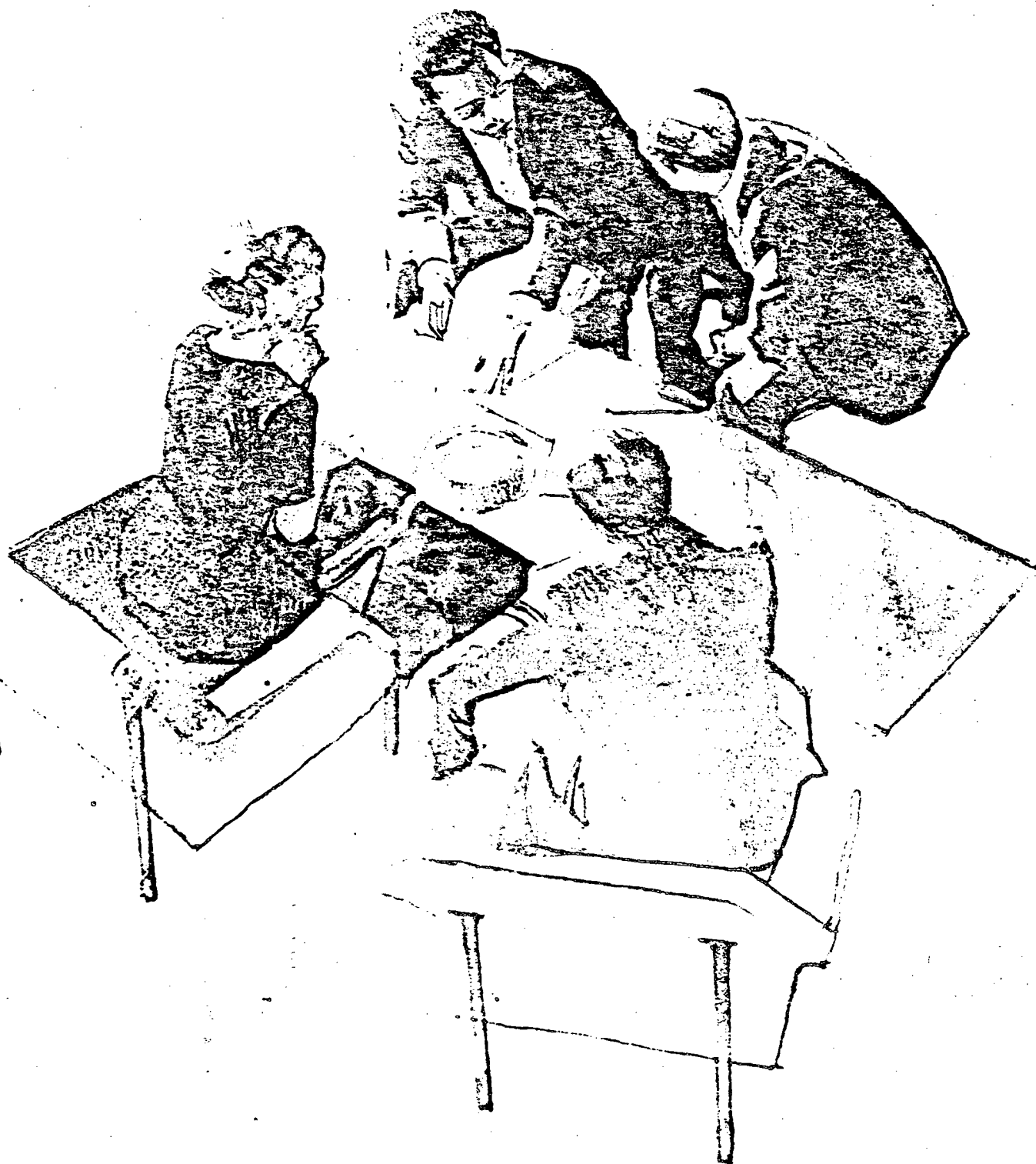
Today, as the result of practical experience balanced by ongoing research and study, Hay provides a full range of services, each of which is designed to increase the impact and effectiveness of personnel practices and documenting them with hard facts about each job.

• Test Appraisal and Validation

This is an analytical service for evaluating and improving personnel testing procedures to aid in selecting candidates for employment or promotion. Companies are under continuing obligation to demonstrate and document the validity of tests and procedures used. Hay can assist clients in ascertaining that their testing procedures and devices meet both the spirit and the intent of legal requirements designed to provide equal employment opportunities. Hay evaluates and reports the technical quality of the personnel system currently used. The reliability, validity and utility of the system are examined from the dual standpoint of whether it makes good business sense and complies with governmental regulations.

• Test Construction and Development

Hay's Test Development Service is a custom-tailored process for designing and constructing tests and other performance measures for assessing current or prospective employees. Additionally, if deficiencies detected in current testing procedures are too substantial for modification, Hay will recommend or develop new tests and procedures as well as train client staff to continuously monitor the resulting selection procedures. Hay offers cost effective programs which measure and aid in the selection of best qualified candidates for ongoing or anticipated jobs, while simultaneously meeting governmental directives and guidelines.



- **Manpower Assessment**

Hay's manpower assessment planning and development programs represent systems by which both jobs and their incumbents are evaluated using common yardsticks of measurement. By assessing managers, not in isolation but within the context of real organizational units and against specific position requirements, and utilizing information from the employee's past and current performance along with other predictive techniques, Hay counseling can help clients learn to forecast future manpower requirements and capabilities.

- **Manpower Training and Development**

This service provides for the development—preceded by appropriate assessment—of individuals in executive positions. It seeks to instill in the individual an understanding of broad managerial content and purpose, while advancing an understanding of himself and his capabilities. In achieving personal development, a career path is formulated for the executive through counseling which maximizes his strengths in line with his aspirations and the needs of the enterprise.

EMPLOYEE RELATIONS SERVICES:

- **Hay Employment Systems Analysis**

A key facet of Hay's human resources consulting organization is its Employee Relations Services Center. This unit has developed the Hay Employment Systems Analysis ("HESA"), an exhaustive audit process expanding on the concept of "adverse impact" which includes discrimination, government regulations, and Hay technology. Although HESA is designed to cover the entire human resources system of the organization, it is equally responsive to auditing one or more portions of that system—e.g., employment—and the HESA audit is thorough in its ability to meet the most stringent external compliance requirements.

- **Labor Relations and Strategy**

Hay provides a unique management service for employers already engaged in collective bargaining who wish to improve the quality of the decision-making process used by management in their relationships with unions. The services are particularly useful in governmental, educational, and health-care organizations because of the rapid transfer of consulting expertise to the personnel or labor relations professionals within these organizations. Client administrative strength is extended in activities such as preparing for negotiations, contract administration, grievance management, and preparing for arbitration.

COMPUTER TECHNOLOGY:

- **Human Resources Management Systems**

Hay's Human Resources Management Systems Center was formed in response to the need expressed by clients for implementation of compensation studies and related programs. The professional staff of the HRMS Center engages in systems planning, design and development related not only to compensation projects but also to every functional area of the personnel department. Two distinct products have been developed by the HRMS Center: The Hay Compensation Monitor (HCM) and the Hay Automated Personnel Systems (HAPS).

The Hay Compensation Monitor is a systematic method for collecting, maintaining, and reporting information required to plan and control the administration of salaries and evaluation of jobs. It is an in-depth computer-based application ranging from status and exception reporting to salary planning, and even provides basic formats for input to Hay compensation comparisons. The Hay Compensation Monitor is a modular system in that any of five major processing modules can be delivered and installed independently of the others.

HAPS is a generalized human resources system covering all areas of the personnel function with emphasis on any particular area as determined and directed by the user. It may be interfaced with existing computer systems, most notably the payroll, and automatically generates a chronology or work history based on input of significant transactions.

- **Information Systems**

Through its computer-based capabilities and technology, Hay builds information systems, including design and programming elements, education and training, software package sales, and facilities management. Hay's professional staff has extensive experience in the development, implementation, operation and administration of computer-based information systems.

- **Pensurdata**

An affiliated company of Hay, Pensurdata is a computer services organization specializing in insurance and employee benefit plan applications. In particular, its services and systems-design capabilities for pension, health and welfare plans can assist employee benefit administrators meet the important reporting and disclosure requirements of the Employee Retirement Income Security Act (ERISA) of 1974.

Because of the vast recordkeeping requirements of ERISA, the major portion of Pensurdata services are provided through an automated system, operated on its third-generation computer.

RESEARCH FOR MANAGEMENT

A division of Hay Associates which provides services in problem analysis and solutions based on a wide variety of measurement technologies. Its areas of emphasis include:

- **Public Opinion and Marketing Research**

A key element in establishing appropriate corporate strategies is an understanding of customers, prospects, the general public, stockholders, the financial community, legislators, regulators and the media. Relationships with these publics are becoming more com-

plex. The demands of consumerists and environmental action groups—often contradictory—must be weighed and balanced against the primary task of top executives—i.e., building assets under management.

Thus, Hay approaches public opinion and marketing research from management's point of view: how to build a total corporate posture appropriate to its varied constituencies, consistent with the need to use resources productively. The emphasis is on strategic issues and the most effective utilization of resources, whether for a major corporation or a local school system. Projects, therefore, range from studies of corporate image to evaluations of educational objectives.

- **Management and Organizational Climate Studies**

Top management sets the direction for an enterprise, and it is critical that its intentions be mobilized into appropriate action. Hay's management climate studies place top management in a unique position to determine whether these intentions are being accurately translated and implemented throughout the organization.

Designed to measure manager perceptions of key management processes, Hay's climate measurement program is a highly sensitive diagnostic process which:

- Determines whether the climate existing within various parts of the organization is that intended by top management.
- Tests the feasibility of and readiness for installing changes in strategy, policy and programs.
- Determines progress toward change goals.

Annually since 1974, Hay has conducted a multicompnaySurvey of Management Climate, enabling participants to examine their organizational climate internally as well as in comparison to other organizations. Regular participation not only provides measures of the critical factors related to business success, but also permits participants to track how these

factors change with shifts in specific functional or operational units.

- **Employee Attitude Surveys**

The most productive first step in addressing such problems as absenteeism, breaches of discipline, sabotage, low productivity or high turnover is often through an attitude survey of nonexempt workers.

Attitude surveys are used to gauge employees' feelings about many issues which affect them and their jobs. Some issues regularly studied are general satisfaction with work, relationships with management and supervision, communications, cooperation, clarity of work assignments, opportunities for promotion, compensation and physical facilities. This information often leads directly to the solution of the specific problem(s) facing the organization. Hay has conducted numerous such studies and maintains a data bank useful for viewing the company in the context of work environments generally found in U.S. industry.

- **Management Practices Surveys**

Hay applies survey technology to studies of management practices and policies in both functional and topical areas. An example is the Hay Survey of Human Resource Practices.

With initial participation numbering more than 850 firms, this comprehensive information base of personnel practices and policies serves as a valuable aid in the planning and management of human resources programs. The Survey unfolds insights, supported by facts, into such important issues as the impact of EEO and OSHA legislation on firms' human resources planning, trends in personnel programs for employees at different organizational levels, and programs being undertaken in the critical area of assuring management continuity. It is believed that the wealth and validity of human resources information resulting from this Survey are not duplicated by or available from any other source.

□

BUSINESS PLANNING

Hay's Center for Business Planning combines its knowledge and technology of both the management sciences and the behavioral sciences. In the complex technology of planning management, Hay helps its clients assess market opportunities, evaluate strategy options, and implement agreed-upon business plans and programs.

Services of this Center are both process- and content-oriented: process services are developed for client organizations to apply in making strategic decisions, upon which the lifeblood of the organization may depend; content services develop specific strategy recommendations, with further Hay guidance for implementation as required. Major counseling areas are these:

- Strategic planning
- Marketing analysis
- Financial strategy
- Organization design
- Performance assurance
- Performance measurement

STRATEGIC PLANNING

Effective strategic planning results in decisions: what to do and how to do it. The critical function is first, to identify mission and goals and subsequently to devise appropriate policies and business strategies to achieve them. Strategic planning is an integral part of an enterprise's management process; it is a management tool designed to help make today's critical decisions with tomorrow in mind—a process by which tomorrow's decisions will be beneficial and flow logically from those made today.

Hay helps design strategic planning processes which reflect the style and characteristics peculiar to the client's business; each process is tested for its efficacy in facing the specific issues which require decisions. Hay's professional, experienced strategy specialists are notably well-versed in helping organizations assess their basic mission, examining market opportunities, evaluating business mix and diversification options, formulating positioning goals, reviewing allocation of resources, developing appropriate programs and policies and evaluating economic development programs.

MARKETING ANALYSIS

Hay's capabilities in conducting marketing analysis range from determining requirements for commercialization of new products to comprehensive evaluation and redefinition of marketing strategy for the business as a whole. Illustrative studies and issues include:

- Evaluation/formulation of pricing policies;
- Identification/evaluation of competitors' strategies and strengths;
- Measurement of product and market potentials; share of market and marketing penetration objectives;
- Evaluation of sales practice (e.g., territory assignments, sales quotas);
- Appraisal of product life-cycle positions;
- Analysis/redesign of distribution methods and practices.

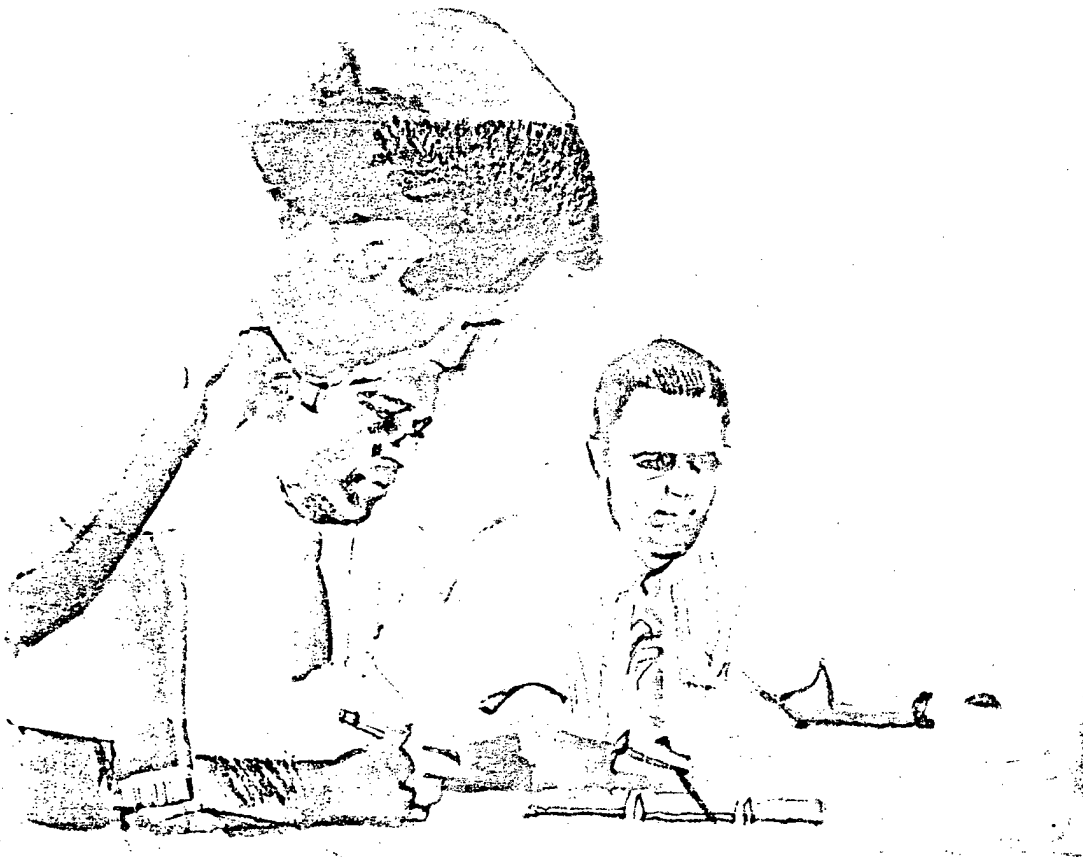
FINANCIAL STRATEGY

Every business plan must be backed by a financial strategy in support of its achievability. Such strategy must not only make provision for the necessary funding of the business but, equally important, be responsive to corporate goals with respect to its various financial publics. Hay has skilled personnel to help formulate such strategies and goals.

• Organization Design

Appropriate organization structure is also essential to the success of business plans. The criteria of effective structure are derived from the objectives of the enterprise or organization, and how well those objectives are being achieved. How responsively and flexibly the organization meets externally-created opportunities and threats constitutes an appraisal of the structure—and indicates whether it is sound or whether it needs change.

Hay has long experience in assisting clients increase their organizational effectiveness. Its capabilities in design of organization structures and processes for accomplishing organizational change are unusually strong. Major



projects are staffed by teams of specialists in business strategy, organization structure and organization development.

PERFORMANCE ASSURANCE

Executive performance agreements have been used by companies for years. Hay's skills run to identifying where they are appropriate, assuring that they are in support of corporate objectives and business strategies, and designing rewards commensurate with the achievement desired.

PERFORMANCE MEASUREMENT

The critical problem here is to arrive at acceptable yardsticks by which to measure performance and on what to base incentives. Not all objectives are measurable in financial terms: many require subjective evaluation.

Hay has many years' experience in working with companies in the design of measurement standards and management processes for the utilization of such standards in practical business environments.



SPECIALIZED SERVICES

Hay has organized a number of professional services in response to the highly specialized nature of major projects assigned to it by clients in selected industries and service categories and by the demands of today's sophisticated computer technology. These services are grouped in the following categories:

- Industry centers
- Computer-based comparisons
- Hay publications
- Hay seminars

INDUSTRY CENTERS

The rapid pace of specialization within industries and other sectors of our economy in recent years has led to the establishment of a number of industry "centers," which offer counseling services expressly designed for organizations within their selected business areas. Industry specialist staffs with major project management capabilities, augmented by trained support units and Hay's consulting staff, are organized into key industrial, financial, service and nonprofit knowledge centers. Included among these are:

- Retailing
- Banking
- Insurance
- Utilities
- Higher education
- Government (Federal and local)
- Health care

COMPUTER-BASED COMPARISONS

• PERF/COMP

Utilizing advanced technology and exhaustive data on industrial firms' executive compensation policies, Hay has designed a technique for determining how much companies pay for high-level job performance. "Perf/Comp," as it is termed, correlates performance and size of companies with compensation levels found within companies in the sample.

• BANCAMP Survey

A computerized extension of Hay's Compensation Comparison and its Executive Compensation Comparison is found in the BANCAMP survey. This is a comprehensive survey system supplying specific base and total compensation data for 81 functional areas found in banking. Participating banks are guaranteed quick access to functionally-specialized compensation information at any time during the

year, permitting the user to compare his bank's compensation and evaluation practices with others in the BANCAMP survey.

HAY PUBLICATIONS

In keeping clients and the business public at large informed of important new concepts, developments and Hay services, Hay's communications department publishes a monthly business discussion, "Management Memo," which brings such information to readers in an easy-to-read two-page format. Now in its 27th year of unbroken publication, "Management Memo" is received by thousands of executives.

Additionally, Hay publishes a biennial report, focusing on Hay's worldwide network of offices and professional personnel, with brief descriptions of its available services. Service brochures, describing in detail one or more of Hay's specialized consulting services, are also distributed.

Further, a complete reprint service is maintained in Philadelphia with reprints and articles of value and interest available upon request. A listing of these items is published periodically, and distribution is made without charge upon simple request to any of Hay's domestic offices.

HAY SEMINARS

Hay seminars are an ongoing year-round service, which communicate knowledge and technology of Hay processes and principles in a wide ranging spectrum of specialized business areas to hundreds of participants each year.

Seminars offered on an ongoing basis include the following:

- Job analysis and evaluation (basic, intermediate and advanced)
- Salary administration
- Executive compensation planning
- Communicating compensation and benefit programs
- Estate and personal tax planning
- Design of employee benefit programs
- Human resources management
- Performance analysis

A complete list of seminars, presented in major cities around the country with dates, locations, and descriptions of the content, is available upon request.



B

APPENDIX BSAMPLING ANALYSES

The consultants conducted initial analyses to determine the representativeness of sampling within the Cones/Occupational Groups for each Class. Table I illustrates the representation of the Foreign Service in terms of the distribution of jobs by Class in this category.

TABLE IDISTRIBUTION OF JOBS BY CLASS FOR CONES/OCCUPATIONAL GROUPS

| Class | Total Pop. | Total Sampled | % | <u>Selected Cones</u> | | | | |
|-------|---------------|------------------|------------|-----------------------|------------|-------------|------------|---------------|
| | | | | Political | Econ. | Admin. | Consular | Staff Support |
| FSO | 3632 | 3300 | 91% | 1182 | 882 | 619 | 617 | --- |
| FSRU | 857 | 681 | 79% | 57 | 11 | 591 | 22 | --- |
| FSR | 1153 | 940 | 82% | 98 | 69 | 681 | 92 | --- |
| FSS | 1946 | 1918 | 99% | 10 | 8 | 729 | 85 | 1086 |
| | <u>7573</u> | <u>6839</u> | <u>90%</u> | <u>1347</u> | <u>970</u> | <u>2620</u> | <u>816</u> | <u>1086</u> |

The four Cones and the Staff Support Group currently represent 90% of the Foreign Service in the four classes; and this sample is therefore considered representative for the purposes of this study.

After determining that a representative sample could be drawn from the Occupational Group category, as Table I indicates, a second analysis was conducted to determine if a representative sample could be drawn from selected Grades within the Cones and Classes. This analysis, as Table II portrays, concluded that a representative sample could be drawn on the proposed Grade/Cone basis.

TABLE II

DISTRIBUTION OF JOBS BY GRADES WITHIN ALL CLASSES AND CONES/OCCUPATIONAL GROUPS

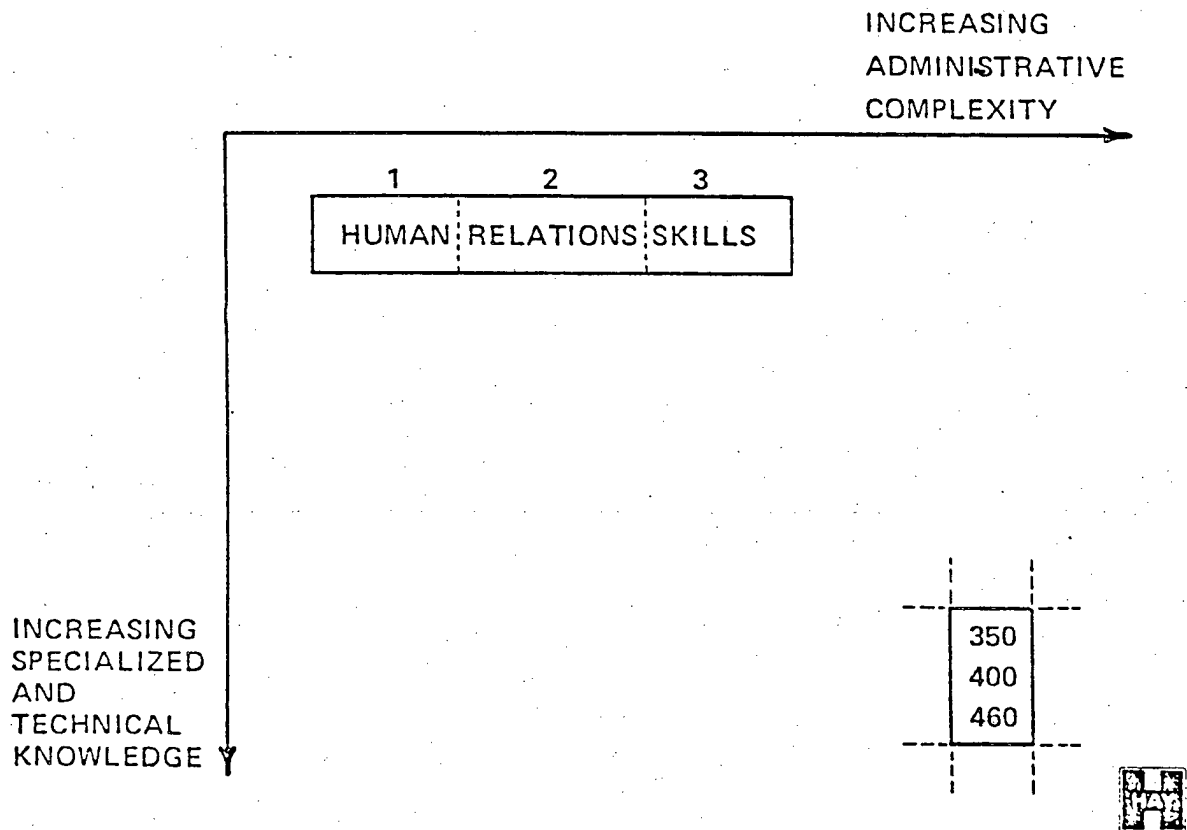
| Classes | Political | | | Economic | | | Admin. | | | Consular | | | Support Staff | | |
|---------|-----------|--------|--------|----------|--------|--------|--------|--------|--------|----------|--------|--------|---------------|--------|--------|
| | Pop. | Sample | Grades | Pop. | Sample | Grades | Pop. | Sample | Grades | Pop. | Sample | Grades | Pop. | Sample | Grades |
| FSO | 1182 | 1156 | 1-6 | 882 | 798 | 1-6 | 619 | 425 | 1-4, 6 | 617 | 575 | 3-7 | -- | -- | -- |
| FSRU | 57 | -- | -- | 11 | -- | -- | 591 | 591 | 1-8 | 22 | -- | -- | -- | -- | -- |
| FSR | 98 | -- | -- | 69 | -- | -- | 681 | 681 | 1-8 | 92 | -- | -- | -- | -- | -- |
| FSS | 10 | -- | -- | 8 | -- | -- | 729 | 390 | 3-8 | 85 | 23 | 4 | 1086 | 1041 | 3-10 |
| Total | 1347 | 1156 | | 970 | 798 | | 2620 | 2087 | | 816 | 598 | | 1086 | 1041 | |
| % Rep. | | | 86% | | | 82% | | | 80% | | | 73% | | | 96% |

APPENDIX C

The Hay Guide Chart-Profile Method of Job Evaluation

The following discussion describes the components and process of the Hay Method.

THE KNOW-HOW GUIDE CHART



The Know-How factor of specialized and technical knowledge is represented in the facing illustration by a continuous vertical line increasing in value in the direction of the arrow. The line represents a continuum of specialized knowledge content among a group of positions. The range is from a very limited need for formal knowledge to the most advanced levels of understanding of a subject matter. The line can usually be divided into levels such as:

A

B

.

.

.

F

G

.

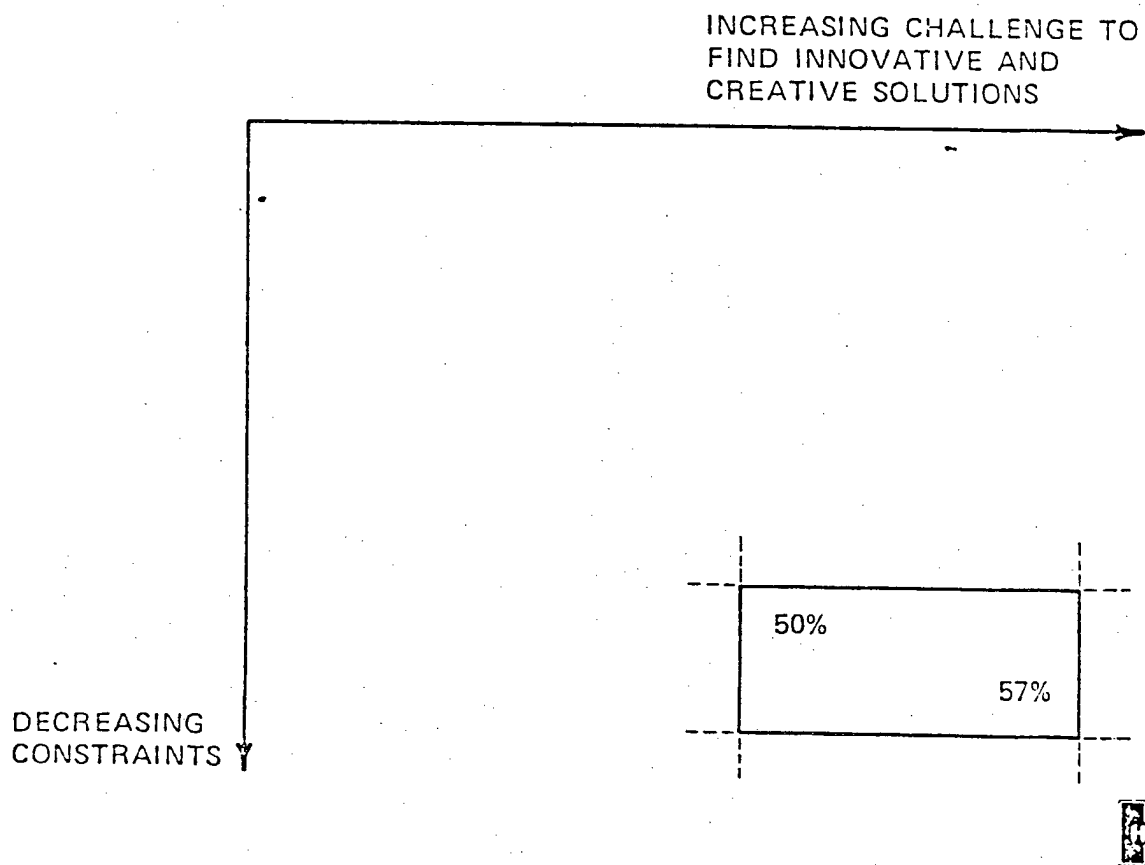
Similarly, the factor of administrative leadership is represented by a continuous horizontal line indicating increasing complexity in managerial demand in the direction of the arrow. Once again, the line can usefully be divided into levels such as:

I II III IV V VI . . .

Finally, the factor of human relations is represented as crossing the matrix of the other two factors. In each case, human relations skills are seen as being at one of three levels: (1) ordinary courtesy; (2) important; or (3) critical for effective job performance.

Each of these factors has a qualitative, operational definition appropriate for the client institution in which the charts are being used. It is possible to quantify the semantic (or qualitative) analysis by designing a scale of numbers that is imposed upon the zones of intersection of the factors.

THE PROBLEM-SOLVING GUIDE CHART



In the facing illustration, the numbering pattern is represented by the three values of 350, 400, and 460. Each is approximately 15% different from the next. (Lower numbers would, of course, appear closer to the points of intersection of the two lines.)

Thus, the content of a position, analyzed for Know-How, might be symbolized as:

F II 3 460 (Points)

The "F" represents a defined level of specialized and technical knowledge, the "II" represents a defined level of administrative leadership and "3" represents critically important human relations skills, and the "460" an appropriate quantitative representation of these judgments.

A like process is used with the Problem-Solving Guide Chart, except that two different factors are involved as shown in the facing illustration.

The thinking challenge is shown on the horizontal line. The line represents a factor in job content that is a continuum from positions involving repetitive problem challenges to positions in which the problem challenges consistently require pathfinding solutions because the situations are novel. The line can usefully be divided into levels (shown on the illustrative charts) such as:

1 2 3 4 5

Similarly, the thinking environment factor is shown as a vertical line in which there is a decrease in the guidance for problem-solving in the direction of the arrow. The line represents a continuum from highly circumscribed problem-solving because of the need to follow detailed instructions to a level where thinking is guided only by the ultimate goals of the organization. Once again, the line can usefully be divided into levels such as:

A

B

.

.

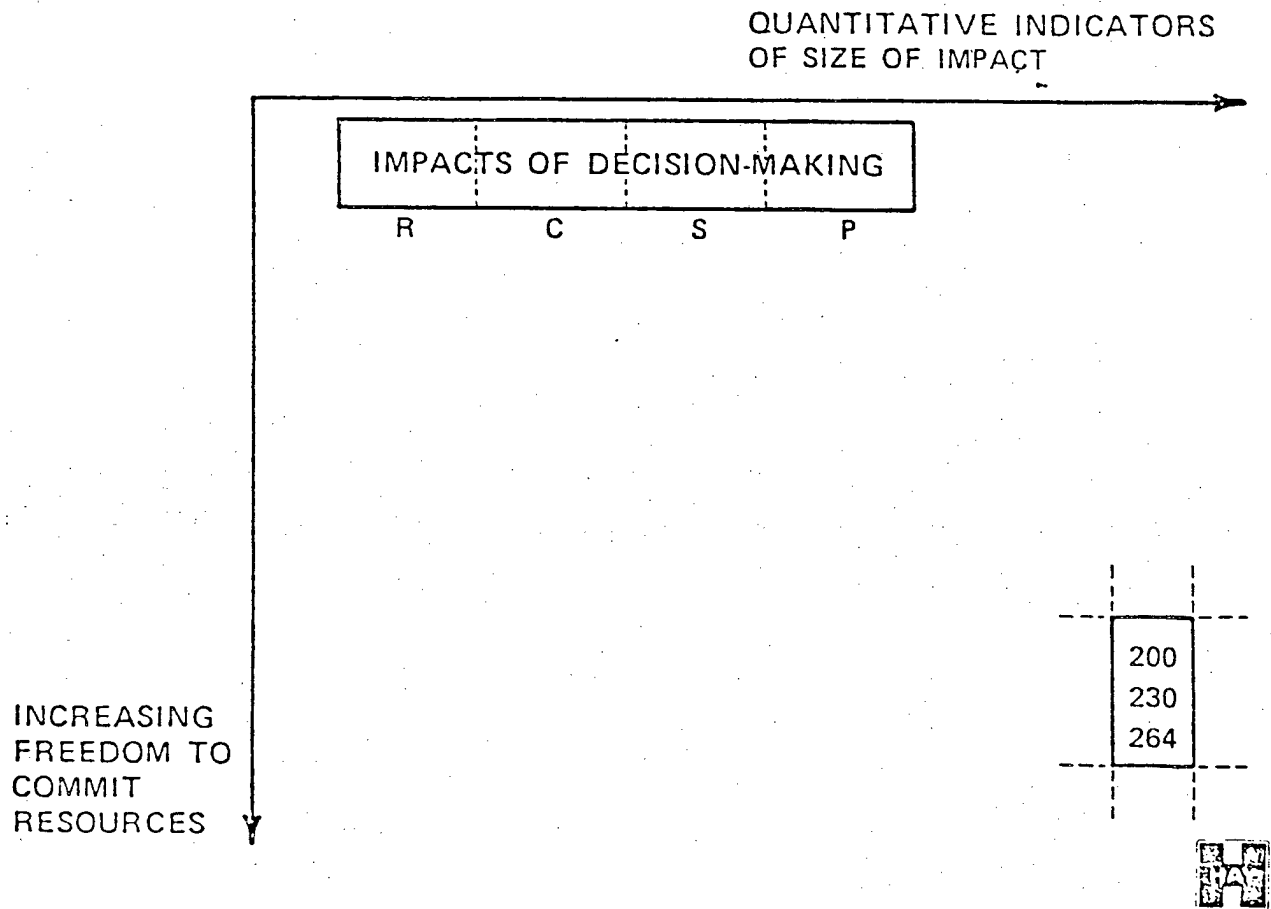
.

F

G

.

THE ACCOUNTABILITY GUIDE CHART



In the zone of intersection of these two factors in a matrix, quantification of the semantic judgments is once again possible. In this process, Problem-Solving is considered to be functionally related to Know-How, and this functional relationship is symbolized quantitatively by using a percentage to be applied to the Know-How points previously determined. The percentage values are also in a scale with each number being approximately 15% different from the next.

In the facing illustration, the percentage values are represented at 50% and 57%. (Lower values would appear closer to the points of intersection of the two lines.)

Thus, the content of a position, analyzed for Problem-Solving, might be symbolized as:

F 4 (50%) 230 (Points)

The "F" represents a defined level of the thinking environment, the "4" represents a defined level of the thinking challenge, the 50% is the appropriate quantification of these judgments, and the 230 points result from taking 50% of the previously determined 460 points of Know-How.

A like process is used once again with the Accountability Guide Chart, except that here three different factors are involved as shown in the facing illustration.

The most important accountability factor is the freedom to act, the freedom to frame and to execute management decisions. The direction of the arrow shows increasing freedom to act, and the job content point values increase in this direction. This line may also be divided into levels of:

A

B

.

.

.

F

G

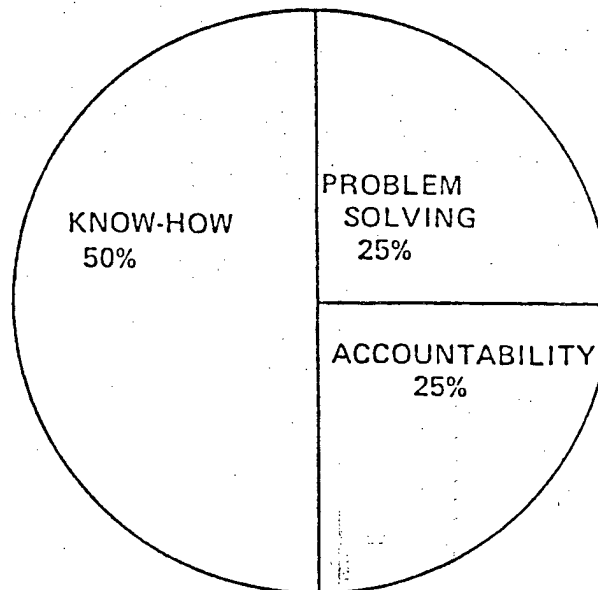
.

The second most important accountability factor is the nature of the impact of the position on specified end results. Every position may be viewed as having either an indirect impact on organizational results--symbolized by

THE PROFILE OF A POSITION

| SUMMARY EVALUATION: | <u>SLOT</u> <u>POINTS</u> | |
|---------------------|---------------------------|-----|
| | | |
| KH | — FII3 | 460 |
| PS | — F4(50%) | 230 |
| ACC | — F3C | 230 |
| TOTAL POINTS | | 920 |

THE PROFILE



either "R" (Remote impact) or "C" (Contributory impact)--or a direct impact--symbolized by either "S" (Shared impact) or "P" (Primary impact).

The least significant accountability factor is the magnitude (in annual dollars) of the area(s) most clearly or primarily affected by the position. The magnitude line is shown horizontally and can be divided for levels of:

(1) (2) (3) (4) (5) . . .

The impact factor is represented as crossing the matrix of the other two factors, and the person evaluating a position must make a "best" judgment as to the most appropriate way in which to characterize a particular position.

As with the Know-How and Problem Solving Charts, at the zones of intersection of the three factors, the same 15% internal scale of numbers used previously may be imposed upon the chart.

Using the facing illustration, the content of a position, analyzed for accountability, might be symbolized as:

F 3 C 230 (Points)

The "F" represents a defined level of freedom to act, the "3" represents the magnitude of the area affected by the position, and the "C" indicates a judgment that the position is best described as having an indirect, contributory impact upon end results, and the "230" is an appropriate quantification of these judgments.

The summary evaluation of the "illustrative" position we evaluated previously is shown at the top of the facing illustration.

Under the title of slotting, we find the symbols for each of the locations on the semantic (or qualitative) scale where we decided the content of the position could be properly assigned.

Under the title of points, we find the quantitative representations for the semantic judgments of the evaluator.

The profile of a position is simply the characterization of the job factors as percentages of the entire job content. For example, the entire job content of our illustrative position was value at 920 points.

Of these 920 points, it turns out that 50% (460 points) are assigned to Know-How content, while 25% (230 points) are assigned to Problem-Solving and 25% (230 points) to Accountability. In this position, the content of the job pertaining to problem-solving is valued equally with the content pertaining to accountability.

Table below shows standard steps
correspond approximately to 15%
increments and which double in value
5 steps.

STEPS

6400
5600
4864
4224
3680
3200
2800
2432
2112
1840
1600
1400
1216
1056
920
800
700
608
528
460
400
350
304
264
230
200
175
152
132
115
100
87
76
66
57
50
43
38
33
29
25
22
19
16
14
12
10
9
8
7
6
5
4

* Declassified and Approved For Release 2013/03/14 : CIA-RDP90-00530R000902250001-8

| % PS/KH | KH P ₁₅ | TO FIND PROBLEM SOLVING POINTS: IN COLUMN BELOW THAT CORRESPONDS TO KH POINTS, READ PS POINTS OPPOSITE % PS/KH | | | | | | | | | | | | | | | | | | | |
|------------|-----------------------|--|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 | 460 | 528 | 608 | 700 |
| 87% | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 | 460 | 528 | 608 | 700 |
| 76% | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 | 460 | 528 | 608 |
| 66% | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 | 460 | 528 |
| 57% | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 | 460 |
| 50% | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 | 400 |
| 43% | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 | 350 |
| 33% | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 | 304 |
| 33% | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 | 264 |
| 29% | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 | 230 |
| 25% | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 | 200 |
| 22% | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 | 175 |
| 19% | 9 | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 | 152 |
| 16% | 8 | 9 | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 | 132 |
| 14% | 7 | 8 | 9 | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 | 115 |
| 12% | 6 | 7 | 8 | 9 | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 | 100 |
| 10% | 5 | 6 | 7 | 8 | 9 | 10 | 12 | 14 | 16 | 19 | 22 | 25 | 29 | 33 | 38 | 43 | 50 | 51 | 66 | 76 | 87 |

CHARACTERISTIC HAY PROFILES (Percentage of KH-PS-AC)

| % PS/KH | TO FIND PROFILE: IN COLUMN BELOW THAT CORRESPONDS TO STEP DIFFERENCE BETWEEN AC & PS POINTS, READ PROFILE OPPOSITE % PS/KH | | | | | | | | | | | | | | | |
|------------|--|----|------|----|------|----|------|----|---------|----|---|----|--------|----|--------|----|
| | ACCOUNTABILITY HIGHER THAN PROBLEM SOLVING | | | | | | | | AC = PS | | ACCOUNTABILITY LOWER THAN PROBLEM SOLVING | | | | | |
| | 4 UP | | 3 UP | | 2 UP | | 1 UP | | LEVEL | | 1 DOWN | | 2 DOWN | | 3 DOWN | |
| 87% | 29 | 26 | 45 | 32 | 27 | 41 | 33 | 29 | 38 | 35 | 30 | 35 | 36 | 32 | 32 | 38 |
| 76% | 32 | 25 | 43 | 34 | 26 | 40 | 36 | 28 | 36 | 38 | 29 | 33 | 42 | 31 | 27 | 43 |
| 66% | 36 | 23 | 41 | 38 | 24 | 38 | 40 | 26 | 34 | 42 | 27 | 31 | 44 | 28 | 28 | 45 |
| 57% | 39 | 22 | 39 | 41 | 23 | 36 | 43 | 25 | 32 | 45 | 26 | 29 | 46 | 27 | 27 | 48 |
| 50% | 42 | 21 | 37 | 44 | 22 | 34 | 46 | 23 | 31 | 48 | 24 | 28 | 50 | 25 | 25 | 52 |
| 43% | 45 | 20 | 35 | 47 | 21 | 32 | 49 | 22 | 29 | 52 | 22 | 26 | 54 | 23 | 23 | 55 |
| 38% | 49 | 19 | 32 | 51 | 19 | 30 | 53 | 20 | 27 | 55 | 21 | 24 | 56 | 22 | 22 | 59 |
| 33% | 53 | 17 | 30 | 55 | 18 | 27 | 56 | 19 | 25 | 59 | 19 | 22 | 60 | 20 | 20 | 62 |
| 29% | 56 | 16 | 28 | 58 | 17 | 25 | 60 | 17 | 23 | 62 | 18 | 20 | 64 | 18 | 18 | 65 |
| 25% | 59 | 15 | 26 | 62 | 15 | 23 | 63 | 16 | 21 | 65 | 16 | 19 | 66 | 17 | 17 | 68 |
| 22% | 62 | 14 | 24 | 65 | 14 | 21 | 66 | 15 | 19 | 68 | 15 | 17 | 70 | 15 | 15 | 72 |
| 19% | 66 | 12 | 22 | 68 | 13 | 19 | 70 | 13 | 17 | 72 | 13 | 15 | 74 | 14 | 14 | 77 |
| 16% | 69 | 11 | 20 | 70 | 12 | 18 | 72 | 12 | 16 | 74 | 12 | 14 | 76 | 13 | 13 | 79 |
| 14% | 72 | 10 | 18 | 74 | 10 | 16 | 76 | 10 | 14 | 76 | 11 | 13 | 78 | 11 | 11 | 81 |
| 12% | 75 | 9 | 16 | 76 | 9 | 15 | 77 | 10 | 13 | 79 | 10 | 11 | 80 | 10 | 10 | 83 |
| 10% | 77 | 8 | 15 | 79 | 8 | 13 | 80 | 9 | 11 | 81 | 9 | 10 | 82 | 9 | 9 | 84 |

It is probably clear to the reader by implication that a job within the same organization might be "twice the size" in content but have the same profile. That is, an 1840 point position might consist of 920 Know-How points (50%), 460 Problem-Solving points (25%) and 460 Accountability points (25%).

The same profiles for different "size" positions indicate that the position have similar functional characteristics within the organization. For example, when problem solving equals accountability, the position tends to be supportive or in a staff role for primary or line management.

As indicated earlier, however, the actual design and language used for such charts must be established for each client institution separately; and the fully effective and appropriate application of these charts derives from their use under the guidance of an experienced evaluator.

The charts may be used for evaluating positions not included in a first study, for evaluating new positions designed after the close of a study, and for evaluating the changed content of positions that currently exist within an organization.

This process requires that the evaluation of one position within an organization be consistent with and related to other evaluations of positions within that institution. Once a group of positions within a particular organization have been evaluated with the Guide Charts, the language of the charts acquires a special meaning that is applied in the same manner each time a position is evaluated.

PROFILES AND STEP DIFFERENCES

Profiles and the Step Scale

There are really only two key rules for the evaluator to remember when job profiles are being prepared:

- o The profile percentages must always add up to 100 percent; and
- o The Problem-Solving percentage cannot equal or exceed the Know-How percentage.

Rather than have evaluators burdened with the detailed calculations, the "Characteristic Hay Profiles" chart facing this page includes practically all of the usual numerical factors handled during evaluation.

In order to use the chart effectively, however, some additional comment is required about the numbering system.

At the left of the Profiles Chart is a series of numbers ranging from "4" to "6400." The column is titled "Steps," and in this process each number is called a "Step." Starting at the bottom of the scale, if you move from "4" to "5" you have moved one step. If you move from "4" to "6" you have moved two steps. If you move from "4" to "10" you have moved six steps.

You may also move down the scale as well as up the scale, so that moving from "100" to "50" means you have moved five steps down.

On the lower half of the Profile Chart, all of the variations of profiles are shown.

In the center column, AC = PS (Accountability = Problem-Solving) means that the point totals for each of these factors are equal. Using the illustrative evaluation discussed on pages 5 through 8 of this report, PS points = AC points (230 = 20), as shown below.

| <u>KH</u> | <u>PS</u> | <u>AC</u> | Total <u>Points</u> |
|------------|---------------|-----------|------------------------|
| F II 3 460 | F 4 (50%) 230 | F 3 C 230 | 920 |

The Problem-Solving percentage is 50%. Reading the facing chart, where 50% appears at the outermost column on the left, and moving to the column headed AC = PS, the profile for the illustrative job is: 50-25-25, the same percentages presented in the discussion of Illustration 4, page B-5.

If an evaluation were as follows:

| <u>KH</u> | <u>PS</u> | <u>AC</u> | Total <u>Points</u> |
|-------------|---------------|-----------|------------------------|
| G III 3 700 | G 4 (57%) 400 | G 5 C 528 | 1628 |

Then, the Accountability points (528) are two steps higher than the Problem-Solving points--note that the step scale on the left side of the chart progresses as follows: 400 460 528. The profile can be found by locating 57% in the column with the heading "% PS/KH"--the 57% being the percentage in the evaluation itself--and moving rightward to the column labeled "2 UP." Thus the profile for this position is: 43-25-32.

The technique is probably at this point evident to the reader.

One other useful application of the Profile Chart is found in the table of step values at the upper part of the chart. The evaluator can find the point totals for Problem-Solving directly from this chart.

In the illustration above, the position has been evaluated for Know-How at G III 3 700 (Points). The 700 points can be located on the uppermost horizontal line. In the vertical column, labeled "% PS/KH," the percentage value of 57%--the value chosen in the evaluation itself--can be found. The number 400 appears at the intercept of 57% and 700 (Points). Thus, the point total for Problem-Solving is 400.

The profiles of positions help to serve as a "check" on the judgment of the evaluator. In the report, it was stated that "level" profiles are characteristic of support or staff positions. Major executive positions, with very heavy "line" responsibilities and an overwhelming level of primary accountability for the performance of the organization, tend to have "3 up" or "4 up" profiles--that is, Accountability point totals are much higher than Problem-Solving totals.

On the other hand, intensively research-oriented positions will tend to have "2 down" or "3 down" profiles--that is, Accountability point totals are much lower than Problem-Solving totals.

Step Differences

Another set of important evaluation rules involves judgments that result in step differences. In comparing the Know-How or Problem-Solving or Accountability aspects of two positions, if after thorough consideration:

- o You cannot see any difference, there is none and both jobs are at the same step.
- o You detect a just noticeable difference in the factors being compared, it is a one-step difference.
- o The difference is quite evident, it is about two steps.
- o If, even without consideration, there clearly is a difference, then it is a matter of three or more steps. (Add some intermediate jobs for smoother progression.)

The key task of the evaluator is to locate a position properly along the semantic or qualitative dimensions of the Guide Charts. Then, the choice of a step number can be used to "finely adjust" the judgment. That is, if you choose the lower or "top of the box number" step, your sense of the appropriateness of the judgment is not overly strong. If you choose the higher or "bottom of the box number" step, your sense of the appropriateness of the judgment is that you may really be considering placement into the next highest level. Of course, the Problem-Solving Chart gives you only two choices, but the "sensing" pattern indicated above is the same.

E



MEN & MANAGEMENT

a thoughtful discussion of the serious concerns facing administrators today

EDWARD N. HAY & ASSOCIATES

MANAGEMENT CONSULTANTS

Number 235 of a Series

People and Performance: Why Down Is Beautiful

For years we've been thinking about jobs in terms of Down and Up, and referring to the people in those jobs as Down People and Up People. Perhaps it's time to say exactly what we mean.

Jobs contain three major elements: know-how, problem solving and accountability. Down and Up refers to the relationship between problem solving and accountability. In a Down job, the emphasis is on problem solving. In an Up job, accountability—which calls for action and end results—receives the major emphasis.

While we may seem to discuss Up and Down jobs and Up and Down people in a somewhat black and white fashion, we are not overlooking the fact that every job, and every person, possesses some of both types of characteristics. Remember that we are looking at the *relationship* between problem solving and accountability, not problem solving *versus* accountability. Every job has some thinking elements and some action elements. The question is how these two complement each other.

Down jobs require a lot of thought. This thinking may be creative or adaptive in its challenge, or it may require careful evaluation and analysis of data. The important thing is that in a Down job an individual is paid for producing plans, analysis, a new product, recommendations. Implementation is left to someone else.

Down Is In

Many managers think Down is bad and Up is good. When they evaluate jobs, they try to include a little uppityness in every job—"Our people are doers." Wrong! Some of your people should be thinkers. Gird yourself. Think down.

In a bank trust department, for example, security analysis is a Down job, while portfolio management is an Up job. If the bank decides to make its investment research people accountable also for portfolio management, their jobs would be changed from Down to Up—and the research department weakened. By its very nature Down contributes to the end results achieved by others, but should not be expected to compete for a piece of the action.

Machiavelli Was Down

Which brings us to our most important point. Some people do an excellent Down job once the positive aspects of a "thinker's" job are emphasized. Such people are usually not motivated by power and money. They prefer a job which permits thoughtful reflection, a search for better ways to do things. Machiavelli is an historical example of Down. He tried to regain the good graces of the powerful Medici through *intellectual* skills, and was one of the first to recommend "management by objectives." The means he used did not concern him!

A typical Down person may not always seem pragmatic. He is usually articulate about arguing a point, but he tends to be blunt, outspoken, a little idealistic. He values ideas. Up people probably played on the high school football team. They're aggressive, competitive. Down people may have carried the tuba in the marching band. Or they have exotic hobbies like existential philosophy or building harpsichords. Volume and profit they appreciate, but after two martinis you hear them wonder wistfully if growth is really good.

The Prince Was Up

Up people *need* Down people. The field force in an insurance company must have someone to worry about new product development and market research. A chief executive needs at least one officer on whom he can rely for complete objectivity. If everyone competes hard in an Up way, priorities and objectives can become distorted. The major difference in Up excellence and Down excellence is that Up is usually measured in two ways—profitability and growth—while Down is more likely measured in terms of contribution to a body of knowledge, publications, etc. Its impact is less immediately convertible into profit or growth.

Up people enjoy triumphing over obstacles, using their influence and skill to control the actions of others. Caesar Borgia, the notorious Florentine prince, aggressively pursued end results—total power for himself—with cunning, total dedication and an utter disregard for side effects. He was Up because he was continuously involved

in actions that had weighty impact on his surroundings, like assassinating people. Implicit in an Up move, even when end results are legitimate and means are constructive, is a will to power, a will to win.

Up and Down People

A few people can discharge the accountabilities of both a Down job and an Up job in an exceptionally competent manner. These people are comparatively rare, and generally outstanding, like Benjamin Franklin and Winston Churchill. On the Down side, Franklin invented bifocals and the Franklin stove, explored electricity, excelled in chess, and became a prolific writer and thinker of unquestioned originality. On the Up side, he turned ideas into action when he helped organize the U.S. Post Office, secured French help for the Colonies and published Poor Richard's Almanac, handbook of the pragmatic, profit-oriented man.

Winston Churchill's accomplishments are legion. On the Down side, he was a witty and feared orator who wrote voluminously, including a six-volume history of World War II, won the Nobel Prize for Literature, and became an accomplished water colorist. On the Up side, he was Prime Minister of England during World War II, and was renowned for his courage, energy and frankness. He was a magnificent, stylistic leader.

People who can be equally effective in Down and Up areas are rare and valuable. On the Down side, they possess intelligence, imagination, intellectual leadership, vision, and a willingness to challenge existing values. On the Up side, they are courageous, aggressive, pragmatic and energetic, and can exert authority and accept consequences. They provide leadership of a practical kind because they are able to act.

Think Down

Once a company recognizes the need for including Down along with Up, there are at least four areas where this recognition can lead to positive action:

Job Design: A good job evaluation program emphasizes the Up and Down profiles of jobs, and enables the company to create and maintain jobs that clearly identify and encourage Up and Down results. A chief executive officer is clearly Up; his corporate planner is Down and should be encouraged to operate in a Down way. Management must believe in the need for Down jobs and communicate this belief clearly.

Selection: A company that understands the Up and Down nature of its jobs can find, through man-job evaluations, the right Up and Down people to handle these jobs. Man-job evaluations assess a person's current

capability and estimate his potential against the measured requirements of his job. They consider his experience, his talents, and his job preferences, and often include psychological appraisal of personality and aptitude factors that influence job performance. Through proper selection techniques a company can place people in Down jobs and encourage them to produce Down results.

Compensation: The right mix of compensation alternatives must also be geared to the Up and Down nature of jobs. Incentives, which reward the degree in which accountabilities are met or surpassed, make sense for many Up jobs, where the premium is on *action*, but might apply misguided pressures for Down people, who need time for contemplation and research away from the push to perform. The design of any incentive program that exists for both Up and Down jobs must be related to the inherent characteristics of each specific job.

Management Methods: Companies that stress management by objectives must vary the application according to the Up and Down nature of jobs to emphasize the kind of results they expect. Up jobs need definite targets, like cutting costs 10%, while Down results are harder to pinpoint. For Down jobs, management must create a *general* area of focus—such as developing *methods* to help Up people cut costs—and follow through by giving Down people the flexibility and freedom from Up pressures they need to produce effective Down analysis or plans.

Tomorrow's Leaders

In any talent search, the biggest bonus comes every time a company identifies those individuals who can perform well in both an Up and a Down way. Here are the people who combine the intelligence and creativity of Down with the courage and drive of Up. Here are the people capable of balancing business demands for profit and growth with society's demands for relevance, constructive use of power, and intellectual leadership. The company that identifies these people early in the game—and helps them develop their potential through actual experience in exercising both kinds of accountabilities—will be taking a giant step toward providing *tomorrow's* leaders *today*.

* * * * *

A reprint from Business Horizons, "Patterns of Management by Results" by Daniel M. Glasner, Ph.D. is available to readers upon request. Simply write to: M&M Editor, at any of the Hay addresses listed below.

EDWARD N. HAY & ASSOCIATES • MANAGEMENT CONSULTANTS

ORGANIZATION • COMPENSATION • MANAGEMENT DEVELOPMENT AND APPRAISAL • MARKETING

Headquarters: 1845 Walnut Street, Philadelphia, Pennsylvania 19103 Tel. 215 561-7000

HAY

1 Boston Place
Boston, Mass.
02108
Tel. 617 742-6800

1 East Wacker Drive
Chicago, Illinois
60601
Tel. 312 644-5700

Suite 323
1625 Eye Street, N.W.
Washington, D. C. 20006
Tel. 202 293-5812

2758 No. 1 Main Place
Dallas, Texas
75250
Tel. 214 747-9701

1 Maritime Plaza
San Francisco, Calif.
94111
Tel. 415 434-1446

TORONTO MADRID MONTREAL MEXICO CITY MILAN LONDON PARIS MELBOURNE FRANKFURT

F

2/6

| JOB # | FS TYPE/GRADE | CONE | TOTAL POINTS CLIENT/HAY | | MIDPOINT |
|-------|---------------|-------------|----------------------------|-----|----------|
| 11 | FSO 3 | Political | 1354 | 484 | 38,107 |
| 13 | FSRU 2 | Admin. | 1312 | 469 | 47,392 |
| 75 | FSO 3 | Admin. | 1312 | 469 | 38,107 |
| 5 | FSO 2 | Political | 1216 | 434 | 47,392 |
| 2 | FSO 3 | Political | 1176 | 420 | 38,107 |
| 24 | FSO 3 | Consular | 1176 | 420 | 38,107 |
| 61 | FSO 3 | Political | 1176 | 420 | 38,107 |
| 74 | FSO 4 | Admin. | 1142 | 408 | 30,198 |
| 94 | FSO 3 | Econ./Comm. | 1056 | 377 | 38,107 |
| 35 | FSO 3 | Econ./Comm. | 1056 | 377 | 38,107 |
| 64 | FSRU 2 | Admin. | 1022 | 365 | 47,392 |
| 25 | FSO 4 | Consular | 1022 | 365 | 30,198 |
| 51 | FSO 3 | Econ./Comm. | 988 | 353 | 38,107 |
| 6 | FSO 4 | Econ./Comm. | 958 | 342 | 30,198 |
| 48 | FSO 4 | Political | 958 | 342 | 30,198 |
| 63 | FSR 3 | Admin. | 924 | 330 | 38,107 |
| 59 | FSO 4 | Consular | 890 | 318 | 30,198 |
| 50 | FSO 4 | Admin. | 890 | 318 | 30,198 |
| 26 | FSO 4 | Consular | 890 | 318 | 30,198 |
| 14 | FSO 4 | Econ./Comm. | 890 | 318 | 30,198 |

3/6

| JOB # | FS TYPE/GRADE | CONE | TOTAL POINTS CLIENT/HAY | | MIDPOINT |
|-------|---------------|-------------|----------------------------|-----|----------|
| 28 | FSO 4 | Political | 860 | 307 | 30,198 |
| 88 | FSO 5 | Econ./Comm. | 860 | 307 | 24,351 |
| 32 | FSRU 3 | Admin. | 805 | 288 | 38,107 |
| 98 | FSO 4 | Econ./Comm. | 782 | 279 | 30,198 |
| 68 | FSRU 3 | Admin. | 775 | 277 | 38,107 |
| 77 | FSO 6 | Econ./Comm. | 750 | 268 | 19,997 |
| 31 | FSO 5 | Econ./Comm. | 750 | 268 | 24,351 |
| 110 | FSO 5 | Political | 727 | 260 | 24,351 |
| 111 | FSO 5 | Political | 727 | 260 | 24,351 |
| 60 | FSS 4 | Consular | 702 | 251 | 20,907 |
| 89 | FSRU 5 | Admin. | 702 | 251 | 24,351 |
| 7 | FSO 5 | Econ./Comm. | 654 | 234 | 24,351 |
| 44 | FSR 4 | Admin. | 634 | 226 | 30,198 |
| 95 | FSO 4 | Admin. | 614 | 219 | 30,198 |
| 12 | FSRU 4 | Admin. | 611 | 218 | 30,198 |
| 91 | FSRU 5 | Admin. | 594 | 212 | 24,351 |
| 69 | FSRU 4 | Admin. | 588 | 210 | 30,198 |
| 96 | FSRU 6 | Spec. Proj. | 588 | 210 | 19,997 |
| 21 | FSS 3 | Admin. | 571 | 204 | 25,458 |
| 76 | FSO 6 | Admin. | 571 | 204 | 19,997 |

4/6

| JOB # | FS TYPE/GRADE | CONE | TOTAL POINTS CLIENT/HAY | MIDPOINT |
|-------|---------------|-------------|----------------------------|----------|
| 90 | FSRU 5 | Admin. | 556 199 | 24,351 |
| 65 | FSR 5 | Admin. | 534 191 | 24,351 |
| 19 | FSR 4 | Admin. | 519 185 | 30,198 |
| 20 | FSR 5 | Admin. | 496 177 | 24,351 |
| 36 | FSS 4 | Admin. | 483 173 | 20,906 |
| 22 | FSO 6 | Political | 466 166 | 19,997 |
| 9 | FSO 6 | Consular | 466 166 | 19,997 |
| 97 | FSRU 6 | Spec. Proj. | 464 166 | 19,997 |
| 66 | FSR 6 | Admin. | 451 161 | 19,997 |
| 70 | FSRU 5 | Admin. | 451 161 | 24,351 |
| 1 | FSO 6 | Consular | 451 161 | 19,997 |
| 49 | FSO 6 | Political | 451 161 | 19,997 |
| 10 | FSO 7 | Consular | 421 150 | 16,743 |
| 91 | FSRU 5 | Admin. | 406 145 | 24,351 |
| 33 | FSRU 5 | Admin. | 383 136 | 24,351 |
| 56 | FSS 3 | Admin. | 382 136 | 25,458 |
| 53 | FSS 4 | Admin. | 382 136 | 20,906 |
| 30 | FSR 7 | Admin. | 366 131 | 16,743 |
| 46 | FSS 5 | Admin. | 366 131 | 18,704 |
| 15 | FSRU 6 | Admin. | 366 131 | 19,997 |
| 112 | FSRU 7 | Spec. Proj. | 363 130 | 16743 |

5/6

| JOB # | FS TYPE/GRADE | CONE | TOTAL POINTS CLIENT/HAY | MIDPOINT |
|-------|---------------|--------|----------------------------|----------|
| 18 | FSR 6 | Admin. | 353 119 | 19,997 |
| 62 | FSS 3 | Sec. | 333 119 | 25,458 |
| 86 | FSS 4 | Sec. | 333 119 | 20,906 |
| 113 | FSS 3 | Sec. | 333 119 | 25,458 |
| 83 | FSS 4 | Admin. | 319 114 | 20,906 |
| 29 | FSR 8 | Admin. | 301 108 | 14,316 |
| 85 | FSS 5 | Sec. | 291 104 | 18,704 |
| 114 | FSS 5 | Sec. | 291 104 | 18,704 |
| 115 | FSS 5 | Sec. | 291 104 | 18,704 |
| 116 | FSS 7 | Sec. | 282 101 | 14,998 |
| 45 | FSS 6 | Admin. | 275 98 | 16,743 |
| 100 | FSS 7 | Admin. | 275 98 | 14,998 |
| 55 | FSRU 6 | Admin. | 275 98 | 19,997 |
| 101 | FSS 7 | Admin. | 275 98 | 14,998 |
| 17 | FSRU 7 | Admin. | 275 98 | 16,743 |
| 102 | FSRU 7 | Admin. | 275 98 | 16,743 |
| 103 | FSRU 7 | Admin. | 275 98 | 16,743 |
| 104 | FSRU 7 | Admin. | 275 98 | 16,743 |
| 54 | FSR 8 | Admin. | 271 97 | 14,316 |
| 117 | FSS 7 | Sec. | 268 96 | 14,998 |

6/6

| JOB # | FS TYPE/GRADE | CONE | TOTAL POINTS CLIENT/HAY | MIDPOINT |
|-------|---------------|--------|----------------------------|----------|
| 82 | FSS 7 | Sec. | 268 96 | 14,998 |
| 99 | FSS 8 | Admin. | 247 88 | 13,440 |
| 16 | FSRU 8 | Admin. | 247 88 | 14,316 |
| 57 | FSS 6 | Admin. | 247 88 | 16,743 |
| 79 | FSS 5 | Admin. | 245 88 | 18,704 |
| 52 | FSRU 7 | Admin | 242 86 | 16,743 |
| 80 | FSS 9 | Sec. | 233 83 | 12,043 |
| 81 | FSS 8 | Sec. | 233 83 | 13,440 |
| 40 | FSS 7 | Sec. | 233 83 | 14,998 |
| 37 | FSS 7 | Sec. | 233 83 | 14,998 |
| 118 | FSS 8 | Sec. | 203 73 | 13,440 |
| 119 | FSS 8 | Sec. | 203 73 | 13,400 |
| 38 | FSS 8 | Sec. | 203 73 | 13,440 |
| 43 | FSS 7 | Sec. | 203 73 | 14,998 |
| 42 | FSS 8 | Sec. | 194 69 | 13,440 |
| 39 | FSS 8 | Sec. | 194 69 | 13,440 |
| 78 | FSS 10 | Sec. | 194 69 | 10,799 |
| 84 | FSS 9 | Sec. | 194 69 | 12,043 |
| 41 | FSS 8 | Sec. | 169 60 | 13,440 |
| | | | | |

May 12, 1978

A N N E X

to

Overseas Elements of Foreign Service Positions
Amplification, with Illustrations

This paper is intended to provide illustrations of the extra dimension of Foreign Service positions overseas arising from frequent moves of Foreign Service employees, foreign languages, cultural standards, political environment, self-reliance/initiative, and representational duties. Each of these elements is discussed in relation to the nine other elements of the proposed factor evaluation system for classifying Foreign Service positions.

1. Frequent moves add an extra element of difficulty to the performance of all Foreign Service American positions overseas. Here are a few examples:

Consular employees learn to detect patterns of deception followed by non-bona fide visa applicants and by practitioners of visa fraud. These patterns vary from post to post, and when a consular employee is transferred it becomes necessary for him/her to recognize new patterns. The basic principles of work have not changed, but new knowledge is required if the principles, guidelines, etc. are to be applied most effectively.

Political and economic/commercial analysts and reporters must know in some detail how the host government organizes its decision making. Each government is different, both in terms of its formal organization and in terms of the individuals in power. The analyst and reporter who has learned what he needs to know at one post must rapidly acquire like expertise at his next post.

-2-

Frequent moves necessitate adaptations in supervisory controls. Newly-arrived employees frequently require close supervision while they are beginning a new assignment; providing it is an added responsibility of the supervisor. Newly-arrived supervising employees may find it expedient to supervise those working under their supervision closely for a time, while they are learning the capabilities of their staffs. Frequent moves of Foreign Service employees also leads to re-examination and restructuring of supervisory controls at Foreign Service posts, so that assigned personnel may be employed most effectively. One result of frequent moves is an overall increase in the total effort devoted to supervision and supervisory control.

Because the Foreign Service is staffed by mobile employees operating in diverse situations, its guidelines tend to be broadly stated and non-specific. Employees must use judgment and ingenuity in interpreting and applying them--and in devising local guidelines for dealing with problems particular to the post.

Secretaries, for instance, have manuals for their guidance in preparing correspondence. These are useful at all posts, but the secretaries adapt and supplement them to meet local post conditions and requirements. Frequent moves make it necessary for secretaries to learn new supplementary material.

Similar adaptations are made by other employees. Political officers, for instance, know U.S. policy on human rights. How this policy is best advanced, however, varies from country to country. When he/she moves to a new post the Ambassador and his deputy may give him/her supplementary guidelines to enable him to apply the policy effectively in the new situation.

To perform work at a given level of complexity in a number of different environments raises the overall complexity of an employee's total assignment. The number

-3-

of largely undefined issues and elements in a series of different jobs through which an employee moves is inevitably greater than it would be if he/she were continuously in the United States. It is intended indeed, through frequent transfer to ensure that employees do in fact understand the complexity of the foreign relations process and avoid the pitfall of trying to solve complex problems as if they were merely U.S. problems, problems of the host country, or purely bilateral ones.

The economic/commercial officer dealing with the problems arising from a U.S. trade restriction, for instance, must see that the solution should, if possible, be acceptable to the U.S., to the host country, and to third countries. Furthermore, it should be acceptable not only in the first instance but also as a matter of precedent.

Frequent moves do not directly affect the scope and effect of the work done by Foreign Service employees.

One of the principal effects of frequent moves is the disruption of existing personal contacts and the requirement to establish new ones. The effect is general; it applies to all Foreign Service employees.

Security officers, for instance have circles of local officials whom they know and can trust. When they move, they may find that they have inherited their predecessors' circle. But personal contacts are indeed personal. Some of the relationships of mutual trust will fade away; new ones will be established. If the new circle is inadequate, the security of the post and its employees will be prejudiced.

The significance of personal contacts goes clear to the top. Ambassadors may be replaced precisely because of a decision to break a given circle of contacts and establish another.

The general purposes of personal contacts may alter as an employee moves from post to post (e.g., they are

-4-

not the same in Eastern Europe as they are in Western Europe). However, frequency of moves does not of itself affect the purposes of contacts.

Medical opinion indicates that moving is a factor of stress, adversely affecting individuals. Frequent re-location entails some physical effort, but its larger effects arise from other stress factors. These stresses are met by all Foreign Service employees, since all are subject to frequent transfer. In general, the impact of frequent transfers is greatest on employees with dependents. Families frequently have difficulties in making regular adjustments to alien environments. Despite any domestic strains that may develop, however, the employee is expected to meet the work requirements of his/her new assignment.

Frequent transfers do not affect but are a part of the work environment of Foreign Service American employees. They are an aspect of the work assigned.

-5-

2. Foreign Language

The degree to which skill in reading and/or speaking a foreign language is necessary to gain and/or apply the facts and other information necessary to do acceptable work varies from post to post and between positions at the same post. It most evidently is necessary in countries (e.g., the Peoples Republic of China) where few people are able and willing to speak English and where for political, cultural or other reasons information of significance to the U.S. is closely held. At such posts much essential information is gathered by the careful comparison of foreign language texts and by appraising the nuances of information obtained in foreign language conversations. Similarly, a part of the work of such posts is to disseminate facts and information to readers and auditors who do not understand English.

Even in positions where knowledge of a foreign language is not so evidently crucial in obtaining and using information, skill in the use of the local language(s) considerably augments the ability of Foreign Service employees to receive or to convey information effectively. A secretary who can not indicate to a caller who does not speak English when he/she might be received by one of the post's officers is obviously less able to meet the requirements of his/her position than one who can--just as is an economic/commercial officer who can not explain to a non-English speaker how he/she might best do business with U.S. firms.

He/she may know the information he wishes to convey, but if he can not bring it to bear directly at the critical moment, the information may be useless. Consular officers who can not interview applicants in their own language simply can not obtain all the critical information they need to determine visa eligibility or the validity of claims to U.S. citizenship; significant numbers of applicants are unwilling to give the necessary information through interpreters.

-6-

Knowledge of a foreign language is an important factor in establishing supervisory controls. For example, a Middle Eastern Embassy's General Services Section is staffed by 5 General Service Officers and 71 local employees, many of whom speak only the language of the host country. Those GSOs who do not speak the local language must supervise indirectly through English-speaking local employees. The latter may or may not be the best immediate supervisors among the local employees, but they are the only usable ones. To the extent that officers who supervise large numbers of local employees can use the local language they are able to organize their work more effectively and to exercise more effective supervision.

The foreign language element does not affect significantly the guidelines under which most Foreign Service employees work.

The need to use a foreign language adds one element of complexity--namely translation and interpretation--to the work of Foreign Service employees. Consular officers, for example, are required as occasion arises to certify that legal documents have been translated into English by translators of known competence. Security officers must be sure that local authorities understand their roles in the protection of post property and personnel. Embassy officers must ensure that what is said in interviews with host governmental officials is thoroughly understood by all parties, and this task is more complex when those present are not all bilingual. Written statements may have to be prepared, for example, where none would be required under other circumstances.

While the nature of the results achieved by a Foreign Service employee may be affected by the foreign language element in his/her position, that element does not materially affect the breadth and depth of the assignment and the general scope of the work accomplished.

Every employee who must deal officially with those who do not speak English finds that his/her efficiency is impaired if he can not communicate in a foreign language. The oftener such occasions occur, the greater the need for the language.

-7-

General Services employees who are expected to obtain supplies and services locally, to read specifications, to accept bids, to assist with the rental and maintenance of quarters and offices find repeated use for foreign languages, as do receptionists, consular employees, security officers, stenographers and others. Economic and political officers, too, find that they may be handicapped in obtaining information, persuading and negotiating if they must deal only with counterparts who speak only English. Subtle nuances (which foreigners may be unable to convey or to understand in English) are of great importance when communicating with other governments on matters of consequence.

An employee who can not communicate in a foreign language must of necessity confine his effective work contacts to the circle, however, restricted it may be, of those who communicate in English.

The purposes of the working contacts of Foreign Service employees are not materially affected by the language element in their work, nor are physical demands on the employees. The physical risks and discomforts of working are only marginally affected. It is worthy of note, however, that there is a continuous psychological drain on individuals who can not fully meet position requirements because they can not always communicate effectively. Secretaries, for example, who never know whether they will be able to transmit and receive messages via telephone without calling for assistance are obviously under a strain almost never experienced by secretaries in the United States.

-8-

3. Cultural Standards

Knowledge of cultural standards is not customarily conveyed by formal training. Foreign Service employees, like all other Americans, absorb the cultural standards of American society at home, at school and in everyday work and recreation. He/she who has not learned well is reproached, in myriad subtle or not so subtle ways, by his associates. Life teaches him/her how to improve his/her personal effectiveness by taking due account of the cultural norms of American society, and the learning process is virtually instinctive.

Foreign Service employees working abroad do not have a lifetime's conditioning to the local culture. Early in their tours of duty, they must learn what actions, appearances, etc. are acceptable and must augment their effectiveness in dealing with local nationals by learning what behavior is not acceptable or "counter-productive." This must be done if employees are to fulfill work requirements in terms of maintaining contact and influence with the local government and society. This additional element of knowledge is essential to most Foreign Service positions overseas. In certain countries for instance, social kissing on hand or cheek (acceptable or even customary in many Western cultures) may lead to the irreversible disruption of social and professional contacts between families and individuals. In other countries, touching the head is taboo. The list could be extended. In fact, the Foreign Service Institute of the Department and many posts abroad seek to make Foreign Service employees aware--through briefings, the issuance of written guidance, etc.--of many of the important "do's and don't's" for U.S. employees posted abroad.

While cultural differences do not affect the controls used by the supervisors of Foreign Service employees, they do affect the controls those employees find useful in supervising local employees. In countries where literacy rates are low, for example, General Services officers may find that tasks which can not be set in simple oral terms must be broken into components and assigned piecemeal. In certain countries daily intervals of religious observance must be allowed, and prescriptions regarding dress must be considered. Supervisors take into account local customs regarding hours of work, the provision of maternity leave, etc. In many cultures, employees at

-9-

certain levels are so unaccustomed to solving problems on their own that supervisors can rarely specify assignments solely or even in major degree in terms of results to be achieved. Sometimes a certain degree of pilfering is generally considered to be acceptable; supervisors have the task of establishing standards which vary from the local norm and of ensuring that they are observed. Supervisors also must learn how to motivate employees in terms of incentives and disincentives to which they are culturally conditioned to give appropriate weight.

The guidelines Foreign Service employees follow are not affected by local cultural standards. However, Foreign Service employees must use judgment and ingenuity in interpreting the intent of the guidelines and in taking cultural differences into account in developing applications to specific areas of work. For example, broad policy statements are interpreted to the public in terms of symbols effective in the local cultural environment.

The additional element of complexity involved in working in an alien culture has been touched on under other headings. Further examples could be given. For example, economic/commercial officers find that certain methods of advertising which are effective in the United States are not similarly effective in other countries. Part of their work is to ascertain the reasons why this is so and to make the information they acquire available to U.S. businessmen. Information officers, too, are continually involved in interpreting cultural aspects of American life to foreigners of a different cultural background. The greater the cultural differences, the more complex the work. It requires the analysis both of aspects of American life that Americans take for granted and of elements of alien culture that affect perceptions of the United States. For instance, citizens of countries to which the concepts of Western democracy are alien have difficulty in understanding and appreciating the political processes of the U.S. Analyzing the reasons for this difficulty and devising means to reduce or overcome it are exceedingly complex processes. They require continuing efforts to establish concepts, theories and programs to resolve unyielding problems arising from inherent cross-cultural differences.

-10-

Cultural differences, like language differences, have a bearing on the nature of the results Foreign Service employees can achieve, but they do not materially alter the scope of the work done or the number and kinds of people affected by it.

Cultural differences do not materially affect the range and level of working contacts most Foreign Service employees are expected to make, nor do they materially alter the purposes of these contacts. However, cultural differences do have to be taken into account if contacts are to be fully effective. In many countries the role and influence of office-holders do not correspond as closely to their ostensible positions as do those of U.S. officials. Often influence is very much a personal or family matter. Whom to approach and how best to do so requires more than superficial examination of an official organizational chart, and it depends--much more than in the U.S.--on the establishment of interpersonal trust and rapport.

Cultural differences do not materially affect the physical demands on Foreign Service employees. They do, however, impose a psychological drain on them. Foreign Service employees abroad are never free to follow purely American norms of conduct and are always aware that to do so may have unwanted consequences. They are also aware that to accept alien norms fully or to allow their children to do so may have unfortunate consequences. Families who serve in countries where inter-racial prejudice is particularly prevalent, for example, must be on their guard against the contagion.

Cultural differences have little to do with the risks and discomforts of physical surroundings or the nature of the work assigned. There are some exceptions, however. In some countries, for instance, the killing of animals even if it is accidental--may arouse onlookers to violent assault on the person involved. In such countries it is advisable for foreigners not to drive automobiles but to employ a local chauffeur. Indeed the official advice to Foreign Service employees in a number of countries is never to stop at the scene of an accident--even if humans have been killed or injured--but to drive immediately to the nearest police station.

-11-

4. Political Environment

The peoples and governments of many foreign nations actively distrust foreigners and impose mild to severe restrictions on their freedom of movement and activity. Many foreign regimes which are unsure of their political power distrust all outsiders--whether local or foreign regime nationals. They restrict foreigners' activities and keep them under positive, continuous or intermittent surveillance. In countries where the people or their government are unfriendly toward Americans or are actively hostile toward the U.S., the restrictions imposed on official U.S. personnel are even more rigorous and unpleasant. The positive surveillance of official Americans ranges from unobtrusive, static observation of their places of work and residence to police "tails" who follow employees or members of their families 24 hours a day. It may include eavesdropping by secret police or police agents in public places (restaurants, cinemas, sports arenas) and the recruitment of household servants or embassy local employees as police informers.

Politically inspired restrictions on the Foreign Service employee's freedom of movement and activity (besides being increasingly unpleasant and psychically debilitating as they wear on) directly and significantly impede the employee's successful performance of his/her job. Surveillance of American residences to identify foreign national guests, "plants" among Mission or household staffs, and "tails" who follow official U.S. personnel to and sometimes into the offices of foreign national businessmen, teachers, and government officials quickly discourage further contact by host country nationals with U.S. Embassy or Mission personnel. To overcome the chilling effect of host government restrictions, the Foreign Service employee must devise means of making regular if minimal contact with key sources of information and/or assistance and a conscious system of regulating the frequency of contact with each source in order to minimize the risk to the person interacting with the official American. The detention and determined grilling of an innocent host nation contact immediately after the departure of the U.S. Embassy employee is an all too familiar story to Foreign Service personnel.

-12-

Unfriendly regimes frequently attempt to obtain a greater measure of knowledge about and/or control over the activity of the U.S. Mission in their country by recruiting informers among the Mission's local employees or by introducing agents into the local staff group. The threat which these informers pose to the integrity of the Mission and its operations is obvious. So too, are the additional demands placed on every American employee to safeguard the security of the Mission. The additional supervisory problems imposed by secret police "plants" is less evident. Supervisors are frequently called upon to produce standard results with unqualified and inadequate employees who cannot be inspired by exhortation or prospect of promotion or be disciplined by threat of firing, and whose interest in the task at hand and in performing in satisfactory fashion is subordinate to the accomplishment of their "collateral" tasks.

Executives and supervisors called upon to manage program activities in an unfriendly or unstable nation must exercise tighter control over the professional activities of their subordinates and impose a degree of control over the off-duty lives of Mission employees and their families than is either necessary or acceptable in other work environments. The number of negative guidelines increases significantly; to name only two, supervisors must insure that host government officials are not intentionally or inadvertently provoked or that employees or their families do not run unnecessary or foolish risks in moving around the community.

In politically unstable countries, U.S. Embassy political officers must develop a sort of sixth sense for opposition (even revolutionary) activity if they are to function successfully as observers of the local scene. This specialized job skill--(which cannot be learned on a college campus or in an American city) enables the political officer to spot--or to sense--the signs of political or social tension, of political unrest, of active opposition and of the regime's preparations for counter action (e.g., the deployment of military/security personnel and equipment in unusual locations or of additional personnel in critical areas). The U.S. political officer must also develop the ability to determine whether the rising political unrest is directed at the United States or at Americans and U.S. installations or whether Americans may be injured unintentionally and their property damaged inadvertently.

-13-

Thus to perform successfully in unfriendly or unstable countries, Embassy personnel in every section of the Mission must develop a new group of professional skills: first, effective concern for the safety and well-being of the members of the American community and for the integrity and physical security of U.S. installations; second, mastery of the range of tasks associated with Emergency and Evacuation planning, organization, and operations. Every section of the U.S. Mission is involved: political and economic officers seek "hard" information on events and with the Ambassador and DCM, analyze the threat and the options available; consular officers relay timely information to the American community and document potential emergency travelers; administrative support personnel re-check security and supply dispositions, establish emergency communications links, and prepare to move large numbers of employees and dependents to exit routes. None of these critically important skills can be learned in the U.S. or in comfortable cities in the developed world.

Finally, each Foreign Service employee must learn how to surmount the physical or psychic impact of any politically inspired limitations imposed on him/her or on his/her family; he/she must continue to perform up to standard despite the restrictive, hostile, or unstable environment outside.

-14-

5. Self-Reliance/Initiative

To perform up to standard, American employees in many Foreign Service posts must demonstrate a degree of self-reliance and initiative not required of personnel performing similar tasks in the U.S. or in large U.S. military or civilian installations abroad. The degree of self-reliance and initiative required for effective performance varies with the size and location of the post, with the availability of supplies and equipment, with the length of the supply line, and with the presence of expert or technical personnel (on the staff of the U.S. Mission, working for American firms, or available on the local job market).

Foreign Service personnel in small and medium size posts, particularly those located in the Developing World, must perform and perform successfully without the level of professional guidance and supervision and of informal support from qualified professional colleagues that is typically and routinely available in an organization in the U.S. or in a large U.S. installation abroad. Similarly, these employees must successfully carry out their assigned tasks without the consumables, spare parts, and equipment which are routinely available at home, and without the support services of specialized and/or technical personnel who are immediately available in the U.S. as members of the organization or as contract experts. As a result, the Foreign Service employee in a small, isolated post must set about acquiring the additional knowledge of his own and of related fields which he needs to perform successfully, and he must begin developing the self-confidence and self-reliance he needs to function effectively.

Consciously and systematically, the employee must accumulate and delve deep into the textbooks, guides, and manuals he needs to understand his own job and to perform it better; he must take advantage of the infrequent visits of traveling specialists/technicians to increase his knowledge of his job and of the equipment he uses. He must devise ways to acquire and to stock the consumable supplies and the parts needed to keep his operation going. Finally, by a combination of research, questioning of visiting

-15-

technicians, and by trial and error experimentation, the employee must learn how to diagnose and repair or to utilize in alternative modes a piece of malfunctioning equipment. Thus, research into handbooks replaces questioning of supervisors or colleagues; "do-it-yourself" maintenance replaces telephoning and waiting for the repairman; study, extended question and answer correspondence and experimentation replaces the quick walk down the hall to the budget and fiscal specialist, the civil engineer, or the air conditioning expert.

Working in a small US. Mission in a developing country where there are no electrical engineers or even trained electricians, the General Services Officer, for example, must teach himself enough about electricity and electrical installations to wire the additional rented residence which is critically needed to house the new employee and his family who are arriving next week; he must systematically explore the local market for supplies and services in order to know where to find substitute supplies which can be made usable with alteration or where he can get a key replacement part reproduced or repaired; he must, meanwhile, devise and install warehouse control and re-order procedures which will compensate for the length of the supply line (even though they will not offset interruptions of transportation or customs clearance caused by political unrest). The communicator must isolate the equipment malfunction, strap on a safety belt climb a 50' antenna mast to replace a down coupler (with a replacement part which he "squirreled away" a few weeks earlier) and restore communication with Washington. The communicator must do this personally because there are no technicians on the local job market, the next regularly scheduled visit of the roving communications technician is eight weeks away, and the Regional Communications Officer cannot organize an emergency visit by a communications technician in less than 5 - 7 days.

Without the improvisation and pinch-hitting which stems from the increased degree of self-reliance and initiative, the Foreign Service employee would not and could not perform his assigned job up to the standard required, and the U.S. Mission would not be able to carry out the tasks assigned to it.

-16-

6. Representational Duties

Except when assigned to U.S. Missions located in large, Westernized cities, Foreign Service personnel and their families are on constant display as they perform their official functions or move about their country of assignment leading their personal lives. They are representatives of the United States as well as employees of the U.S. Government. Judgments are made about the U.S. and its people on the basis of the conduct and appearance of the members of the U.S. Official Family. Moreover, like the minister's son or daughter in small town, turn-of-the-century America who was expected to behave "better" than the other children in the town, Foreign Service employees and the members of their families are expected by the nationals of the host country and by the members of the resident diplomatic corps to behave "better" than other residents whether local or expatriate. The Foreign Service employees are expected to be more conservative in dress and manner; they are expected to conform to the norms of behavior generally accepted by the members of the local community.

Since one of the goals of the U.S. Mission in a foreign nation is to foster understanding and to win friends (and support) for the U.S., all Foreign Service personnel and their families, whatever their rank or function are expected to conduct themselves in a fashion that will not give offense to or even arouse adverse comment in the local community. Recognizing that all their actions outside the privacy of their own quarters can and probably will be observed, members of the "official family" must eschew certain actions and activities which would be entirely acceptable in and would indeed go completely unremarked in an American setting. In organizing their private social lives, Foreign Service staffers must avoid too close or too obvious association with particular host country nationals or with certain official or private resident Americans in order to avoid annoying (or even provoking) the host government or raising questions about their own official duties or the status and function of the other Americans. When the "proscribed" individuals happen to be close friends of

-17-

long-standing from previous posts, the burden which this mission-related restriction imposes on an employee's private socializing is especially onerous.

Similarly, Foreign Service employees and their families are expected to participate in certain public activities or attend certain social functions organized by officials of the host government, local nationals, or other diplomats however dull and unproductive (or downright unpleasant) these social occasions may be or however tired or ill the Foreign Service employee and his/her spouse may be. As representatives of the U.S., of the American people, and of the U.S. Mission in country "x", they are expected to welcome and respond affirmatively to invitations of the representatives of a friendly foreign government.

Foreign Service personnel are also expected to attend and work at representational social functions given by the Mission as a whole or by the Ambassador, the DCM or other senior members of the Mission. Functioning as co-hosts/co-hostesses of the Ambassador and his wife (or other Mission officers and their spouses) the Foreign Service employee has the task of insuring that the foreign national guests he/she encounters are accorded a cordial welcome, are put at ease and are both encouraged and enabled to have an enjoyable and rewarding social experience. Such co-hosting can be difficult and exhausting work, particularly in countries which are culturally and politically very different from the U.S.

In addition, nearly every Mission employee must carry out his/her own personal representational program if he/she is to accomplish the official tasks on his/her agenda. Government officials, political figures, and businessmen are not going to supply information about or comment on current developments unless the American Embassy political or economic officer has taken the time and made the effort to build a relationship of friendship and mutual trust via a combination of office meetings and social encounters. Less obvious perhaps, but equally significant in terms

-18-

of Mission operations, the Administrative Officer, General Services Officer or Budget and Fiscal Officer is not going to obtain the cooperation and active support of the traffic police commander, the chief customs inspector, or the supervising teller at the local bank unless and until he/she has established the same kind of relationship of trust and confidence. In highly personalized societies where tasks and problems are seen in interpersonal not topical or functional terms, the fact of being the responsible official in the U.S. Embassy is not sufficient to obtain, for example, the prompt clearance through customs of a particular shipment of vitally needed supplies. But the "difficult" customs inspector will go to great lengths to help "his friend in the American Embassy".

Thus representational social activity at the level both of the Mission and the individual employee is of major importance to individual and Mission job performance. The willingness and ability to carry out an effective program of representational entertaining are rarely required for successful job performance by government employees working in the United States.

FACTOR 10 - FOREIGN SERVICE REQUIREMENTS FOR OVERSEAS POSITIONS

This factor deals with the additional requirements placed upon foreign service employees over and above those normally associated with government service employees. There are six separate elements which constitute the additional responsibilities inherent in overseas positions. They are:

- A. Frequent Moves
- B. Foreign Language Requirements
- C. Cultural Adjustment
- D. Political Environment
- E. Self-Reliance/Initiative
- F. Representational Duties

Each of these elements, with the exception of element A, contains separate identifiable levels of complexity and/or difficulty based on the specifics of the location where assigned.

ELEMENT A - FREQUENT MOVES (1 LEVEL)

As part of a career service which requires employees to frequently pick up households and move, sometimes with very short notice, Foreign Service personnel must possess the attitudes and abilities which enable them to do so without undue disorientation and with a minimum adjustment period before being fully functional on a new job.

LEVEL A.1

50 POINTS

- 2 -

positions. In almost all cases Foreign Service personnel are required to move every two or three years.

ELEMENT B - FOREIGN LANGUAGE (4 LEVELS)

This element recognizes that there is no single skill more important in carrying out official duties and in the psychological adjustment to a foreign environment than a knowledge of the host country language.

LEVEL B.1

0 POINTS

English is the principal language of the country to which the employee is assigned, and there is no need to learn a foreign language.

LEVEL B.2

35 POINTS

The position is located in a country where a foreign language is spoken. However, English is the second language of the country and the majority of educated foreign nationals can communicate and conduct business in English.

LEVEL B.3

75 POINTS

The position is located in a country where a category A language (see 3 FAM exhibit 873.1) is spoken. English is not the second language of the country.

LEVEL B.4

125 POINTS

The position is located in a country where a language other than English or a Category A language is spoken. English is not the second language of the country.

- 3 -

ELEMENT C - CULTURAL ADJUSTMENT (3 LEVELS)

This element recognizes the cultural differences associated with foreign duty assignments. An awareness and appreciation of foreign cultures and customs is required, as is sensitivity to the effect of religious and other cultural elements on both professional and personal behavior.

LEVEL C.1

5 POINTS

The country to which the employee is assigned has a culture substantially similar to that of the United States. There are no sharp cultural, class, or religious differences which affect daily life styles.

LEVEL C.2

25 POINTS

At this level there are a number of cultural, class and/or religious differences to which American personnel must adjust.

LEVEL C.3

75 POINTS

At this level there are many cultural, class, and/or religious differences to which American personnel must adjust - often with considerable inconvenience or difficulty. These differences may manifest themselves in various restrictions on the conduct of American personnel and may heavily influence behavior patterns.

ELEMENT D - POLITICAL ENVIRONMENT (4 LEVELS)

This element recognizes that political differences between

- 4 -

LEVEL D.15 POINTS

The political environment of the country to which the employee is assigned is similar to that of the United States. The government is usually democratic with guaranteed freedoms for its citizens.

LEVEL D.225 POINTS

The host country government is different from that of the United States. Personnel freedoms are restricted, but restrictions are normally of a limited nature. Normally, the government is stable and not hostile to the United States.

LEVEL D.350 POINTS

The political environment of the host country is extremely different from that of the United States. Severe limitations may be placed on its citizens and US personnel. There are restrictions on movement, speech, and other forms of communication. Normally, there is little or no outward hostility towards the US.

LEVEL D.4100 POINTS

There are major political differences between the host country and the US. Severe restrictions are placed on the movements of US employees. The host country government or a large element of the population is hostile towards the US.

ELEMENT E - SELF-RELIANCE/INITIATIVE (4 LEVELS)

This element recognizes varying degrees of self-reliance and initiative required of employees.

- 5 -

of the post is a factor as is the availability of backup equipment, supplies, and technical and clerical personnel capable of providing assistance.

LEVEL E.1

5 POINTS

This level applies to large and medium sized posts located in areas where adequate technical assistance is available and sufficient equipment and supply sources exist. It is expected that the large personnel complement will enable the post to provide assistance and support in most areas.

LEVEL E.2

20 POINTS

This level applies to small posts where it is necessary for the employees to provide assistance in areas unrelated to their normal field of expertise. Adequate technical assistance is available and sufficient equipment and supply sources exist.

LEVEL E.3

40 POINTS

This level applies to large and medium size posts located where technical and mechanical assistance is not readily available and the local market does not have sufficient equipment and supply sources. The number of personnel assigned to the post is such that employees are seldom called upon to provide assistance and support in areas outside their field of expertise.

LEVEL E.4

75 POINTS

This level applies to small posts located in areas where little reliance can be placed on outside sources for technical

- 6 -

and mechanical assistance and the local market is unable to provide adequate sources of equipment and supplies. It is necessary for employees to provide support and assistance in areas unrelated to their normal field of expertise.

ELEMENT F - REPRESENTATIONAL DUTIES (3 LEVELS)

This element recognizes that each American employee, regardless of his or her specific organizational role, is considered to be an official US representative by host country officials and private citizens. Formal and informal representational functions often require time outside official office hours and a subordination of personal interests and preferences to the needs of the organization. This element also recognizes the additional responsibility of overseas Foreign Service employees for the effective handling of US officials, other Foreign Service employees and their families, as well as visitors and evacuees

LEVEL F.1

25 POINTS

This level applies to all employees who do not have specific official representational duties but are nonetheless expected to represent the United States to host country nationals in everyday activities.

LEVEL F.2

35 POINTS

This level applies to those employees who are expected to represent the United States officially on an infrequent basis (generally no more than once per quarter).

- 7 -

LEVEL F.3

45 POINTS

This level applies to those employees who are expected to represent the United States officially on a frequent basis (generally at least once a month).

Drafted:PER/PPM:BWest:smh
1/17/78

WASHINGTON, D.C. PARTICIPANTS

INDUSTRIAL

Army Times Publishing Company
 Communications Satellite Corporation
 Computer Network Corporation
 Garfinckel's
 McGraw-Hill, Incorporated
 TRT Telecommunications Corporation
 U.S. News & World Report
 Woodward & Lothrop

FINANCIAL

Acacia Mutual Life
 American Security Bank, NA
 Federal National Mortgage Association
 Government Employees Insurance Company
 Industrial Bank of Washington
 International Group Plans, Incorporated
 Metropolis Federal Savings & Loan
 Mortgage Corporation
 National Permanent Federal
 Savings & Loan Association
 National Rural Utilities Cooperative
 Financial Corporation
 National Savings & Trust Company
 Northwestern Federal Savings
 Pennamco
 Perpetual Federal Savings & Loan
 Price Waterhouse & Company
 Riggs National Bank
 Security National Bank
 Union First National of Washington
 United Services Life Insurance Company
 Washington Federal Savings & Loan

NONPROFIT & GOVERNMENT

Air Line Pilots Association
 Aluminum Association
 American Association for the
 Advancement of Science
 American Bankers Association
 American Chemical Society
 American Geophysical Union
 American Institute for Research
 American Petroleum Institute
 American Psychological Association
 American Public Transit Association
 American Trucking Associations, Inc.
 B'nai B'rith
 Blue Cross and Blue Shield Associations
 Brookings Institute
 Chamber of Commerce of the United States
 Gallaudet College
 George Washington University
 Group Health Association, Inc.

National Academy of Sciences
 National Agricultural Chemicals Association
 National Association of Home Builders
 National Association of Securities
 Dealers, Incorporated
 National Council on the Aging
 National Forest Products Association
 National Geographic Society
 National League of Cities
 National Milk Producers
 National Railway Labor Conference
 National Retired Teachers Association
 Natural Rural Electric Cooperative Association
 Overseas Development Council
 Republican National Committee
 United States Brewers Association, Inc.
 United States Catholic Conference
 Urban Committee
 Visiting Nurse Associations

MARYLAND PARTICIPANTS

INDUSTRIAL

Aspen Systems Corporation
Automatic Data Processing of Washington, D.C., Inc.
Dart Drug Corporation
Giant Food, Incorporated
Informatics, Incorporated
Kiplinger Washington Editors, Incorporated
Marriott Corporation
NUS Corporation
Pfizer Medical Systems, Incorporated
Roper Eastern
Rouse Company
Tracor Jitco, Incorporated

FINANCIAL

American Bank of Maryland
American Finance Management Corporation
Annapolis Federal Savings & Loan
B.F. Saul Company
Chevy Chase Savings & Loan, Incorporated
Citizens Bank & Trust Company of Maryland
Citizens National Bank
Citizens Savings & Loan Association
Equitable Savings & Loan Association, Inc.
Equitable Trust Company
First National Bank of Maryland
Government Services Savings & Loan
Potomac Valley Bank
Sandy Spring National Bank
State National Bank
University National Bank

NONPROFIT & GOVERNMENT

American Society of Hospital Pharmacists
American Speech & Hearing Association
Holy Cross Hospital
Montgomery County Government
Montgomery County Public Schools
National Geographic Society
University of Maryland at College Park
Washington Suburban Sanitary Commission

JUNE 1978

VIRGINIA PARTICIPANTS

INDUSTRIAL

Dynalelectron Corporation
Gulf Oil Real Estate Development Company
Time-Life Books, Incorporated

FINANCIAL

Equitable Life Insurance Company
Fidelity American Bank NA Northern Virginia
First American Bank of Virginia
First & Merchants Corporation
First Virginia Banks, Incorporated
National Bank of Fairfax
Navy Federal Credit Union
Northern Virginia Bank
United Virginia Bank/National
Virginia National Bank

NONPROFIT & GOVERNMENT

American Automobile Association
American Gas Association
Center for Naval Analyses
Mitre Corporation
United Way of America

1978 HAY CASH AND NONCASH

SURVEY PARTICIPANTS

Addressograph-Multigraph Company
Alabama Power Company
Alexander & Baldwin, Inc.
Allen-Bradley Company
Amerada Hess Corporation
American Broadcasting Companies
American Hospital Supply Corporation
American Society of Civil Engineers
American Standard, Inc.
American Telephone & Telegraph Company
AMF, Inc.
Anchor Hocking Corporation
Anderson-Clayton & Company
Arcata National Corporation
Armstrong Cork Company
Barber-Greene Company
Barry Wright Corporation
Bell Telephone Company of Pennsylvania
Braden Steel Corporation
Brooklyn Union Gas Company
Brown & Williamson Tobacco Company
Buckeye International Corporation
H.E. Butt Grocery Company
Buttes Gas & Oil
California & Hawaiian Sugar Company
Carrier Corporation
Ceco Corporation
Celanese Corporation
Chemical Abstracts Services
Chesebrough-Pond's, Inc.
Church & Dwight Company, Inc.
Ciba-Geigy Corporation
Clow Corporation
Cole National Corporation
Columbia Gas System, Inc.
Columbia Nitrogen Corporation
Commercial Shearing Inc.
Conagra, Inc.
Consolidated Rail Corporation
Container Corporation of America
Continental-Emsco Company
Coulter Electronics
Crouse-Hinds Company
Cutler Hammer
Cyclops Corporation
Danly Machine Company
Dayton Power & Light Company
Dayton Press Inc.
Dead River Company
Debron Corporation
Dentsply International
Detroit Edison Company
Dexter Corporation
A.B. Dick Company
Dixie Yarns, Inc.
Dow Badische Company
Dow Chemical Company
Dow Corning Corporation
Draw

Ecoleire, Inc.
Economics Laboratory
ELTRA Corporation
ESB, Inc.
Ex-Cell-O Corporation
Exxon Company, USA
Factory Mutual Engineering Corporation
Federal Express Company
Florida Power & Light Company
Florida Steel Corporation
Franklin Mint Corporation
Frantz Manufacturing Company
Freeport Minerals Company
Freightliner Corporation
Frito-Lay
General Crude
General Electric
General Foods Corporation
General Mills, Inc.
General Public Utilities
General Shale Products Corporation
General Signal Corporation
GF Business Equipment
Gold Kist, Inc.
Graham Manufacturing Company
Graybar Electric Company
Green Giant Company
Hallmark Cards, Inc.
Hanes Corporation
Hart, Schaffner and Marx
H.J. Heinz Company
Hooker Chemical Company
Houghton Mifflin Company
J.M. Huber Corporation
ICI United States, Inc.
Illinois Tool Works, Inc.
Inmont Corporation
International Multifoods Corporation
International Packing Corporation
S.C. Johnson & Son
Joy Manufacturing Company
Kawasaki Motors Corporation, USA
Kellogg Company
Kendall Company
Kennametal, Inc.
Kennecott Copper Corporation
Kent-Moore Corporation
Kerr-McGee Corporation
Kimberly-Clark Corporation
Lamb-Weston, Inc.
Leeds & Northrup Company
Leggett & Platt, Inc.
Libbey-Owens-Ford Company
Lipe Rollway Corporation
Thomas J. Lipton Inc.
Loral Electronics Systems
Mack Trucks, Inc.
Magnetic Controls Company
McGraw-Edison Company
McQuay-Perfex, Inc.

Mead Corporation
Memorex Corporation
Miles Laboratories, Inc.
Mitre Corporation
Mitsubishi International Corporation
Modine Manufacturing Company
Moog, Inc.
Moore Business Forms
Morrison's, Inc.
Nalco Chemical Company
Narco Scientific Industries
National Can Corporation
National Gypsum Company
NCR Corporation
Norfolk and Western Railway
North American Philips Corporation
Northern States Power Company
Northwest Industries, Inc.
Northwestern Bell Telephone Company
Norton Company
Oglethorpe Electric Membership Corporation
Olin Corporation
Omaha Public Power District
Optical Coating Labs, Inc.
Otis Engineering
Owens-Corning Fiberglass Corporation
Owens-Illinois, Inc.
Pako Corporation
Peavey Company
Pennsylvania Mines Corporation
Pennsylvania Power & Light Company
Pennwalt Corporation
Pepsico, Inc.
Perkin-Elmer Corporation
Pillsbury Company
Pitney Bowes, Inc.
Pizza Hut, Inc.
Portland General Electric
Potomac Electric Power Company
Power Authority - State of New York
Price Brothers Company
Pullman, Inc.
Puritan-Bennett Corporation
Recognition Equipment, Inc.
Resource Sciences Corporation
Rexnord, Inc.
Rogers Foods
Ryder System, Inc.
SCM Corporation
Scott Paper Company
Sears Roebuck & Company
Sonoco Products Company
South Carolina Public Service Authority
Southern Airways, Inc.
Southern Company Services, Inc.
Southern Railway System
SPS Technologies, Inc.
A.E. Staley Manufacturing Company

Standard Register Company
Studebaker Worthington, Inc.
Sun Company
Talon
Tetley, Inc.
Texas Instruments, Inc.
Tonka Corporation
Trans Union Corporation
Uarco, Inc.
Union Carbide Corporation
Union Pacific
Uniroyal, Inc.
United Telecommunications
Upjohn Company
U.S. Gypsum Company
Valmont Industries
Victor Equipment Company
Wagner Electric
Wausau Homes
Western Company of North America
Western Electric Company, Inc.
Western Publishing Company
Win Schuler's, Inc.
Wool Bureau, Inc.
Zenith Radio Corporation

INSURANCE

Acacia Mutual Life Insurance (Wash., D.C.)
Allendale Mutual Insurance (Johnston, R.I.)
American Reserve (Chicago)
Bankers Life (Des Moines)
Bankers Life Nebraska (Lincoln)
Central Life Assurance (Des Moines)
Commercial Union Assurance (Boston)
Corroon & Black of Tennessee (Nashville)
Cotton States Insurance (Atlanta)
Farm Family Life (Albany)
Great Southern Life (Houston)
Hartford Steam Boiler Inspection & Insurance (Conn.)
Liberty National Life (Birmingham)
Lutheran Mutual Life (Waverly, Iowa)
Metropolitan Life (NYC)
Midland Mutual Life (Columbus)
Minnesota Mutual Life (St. Paul)
Mutual Life of New York (NYC)
Mutual Trust Life (Oak Brook, Ill.)
National Life & Accident (Nashville)
New England Mutual Life (Boston)
NN Corporation (Milwaukee)
North Central Companies (St. Paul)
Northwestern Mutual Life (Milwaukee)
Northwestern National Life (Minneapolis)
Preferred Risk Mutual (West Des Moines)
Sentry Insurance (Stevens Point, WI)
Southwestern Life (Dallas)
St. Paul Fire & Marine (Minnesota)
St. Paul Title (Troy, Mich.)
Title Insurance & Trust (Los Angeles)
United Insurance of America (Chicago)
Western Life Insurance (St. Paul)

NONPROFIT/HOSPITALS

Allegheny Intermediate Unit (Pittsburgh)
American Bankers Association (Wash., D.C.)
The American College (Bryn Mawr, Pa.)
American Heart Association (Dallas)
Hartford Hospital (Connecticut)
LIMRA (Hartford, Conn.)
MacNeal Memorial Hospital (Berwyn, Ill.)
Samaritan Health Services (Phoenix)
Amherst H. Wilder Foundation (St. Paul)

BLUE CROSS/BLUE SHIELD

BC Association (Chicago)
BC of Greater Philadelphia (Pa.)
BC of Northeast Ohio (Cleveland)
BC of Southern California (L.A.)
BC of Southwest Ohio (Cincinnati)
BC/BS of Florida (Jacksonville)
BC/BS of Iowa (Des Moines)
BC/BS of Kansas City (Mo.)
BC/BS of Michigan (Detroit)
BC/BS of N. Carolina (Durham)
BC/BS of Rhode Island (Providence)
BC/BS of Texas (Dallas)
BC/BS of Virginia (Richmond)
BC/BS of W. Virginia (Charleston)
BS of California
Colorado BC/BS (Denver)
Delaware BC/BS (Wilmington)
Maryland BC/BS (Towson)
Massachusetts BC/BS (Boston)
Ohio Medical Indemnity (Worthington)
Pennsylvania BS (Camp Hill)

BANKS

Arizone Bank (Phoenix)
Bank of the Southwest (Houston)
Chase Federal Savings & Loan (Miami Beach)
Chase Manjattan Bank (NYC)
Citibank (NYC)
Colwell Company (Los Angeles)
Community Federal Savings & Loan (Riviera Beach, Fla.)
Crocker National Bank (San Francisco)
Federal National Mortgage Association (Wash., D.C.)
Federal Reserve Bank (San Francisco)
First Bank System (Minneapolis)
First Financial Group of New Hampshire (Manchester)
First National Bank (Dallas)
First National Bank of Maryland (Baltimore)
First Pennsylvania Bank (Philadelphia)
Mutual Federal Savings & Loan (Norfolk)
National Bank of Detroit (Mich.)
New England Merchants National Bank (Boston)
Northwest Bancorporation (Minneapolis)
Northwestern National Bank (Minneapolis)
Old Stone Bank (Providence)
Peoples Savings Bank (Bridgeport, Conn.)
Percy Wilson Mortgage & Finance (Chicago)
Pittsburgh National Bank (Pa.)
Rainier National Bank (Seattle)
Shawmut Bank of Boston (Mass.)
SIMCO (Salt Lake City)
Society for Savings (Hartford, Conn.)
South Carolina National Bank (Columbia)
State Street Bank & Trust (Boston)
Valley National Bank (Phoenix)

FINANCIAL

American Express (NYC)
Dial Financial (Des Moines)
Farm Credit Banks of Springfield (Mass.)
Investors Diversified Services (Minneapolis)
Postal Finance (Sioux City, Iowa)
St. Paul Companies (Minnesota)
Student Loan Marketing Association (Wash., D.C.)

J

HAY CASH-EQUIVALENT BENEFIT VALUES

I. BASIS FOR THE VALUATION

For benefits which are conditional on the occurrence of an event such as death, disability or continuous employment in the organization, the cash-equivalent has been calculated on the basis of the probability of receiving the benefit, using a representative employee population and appropriate actuarial assumptions. For benefits such as company cars and subsidized meals, (which have an immediate value), the cash-equivalent has been calculated on the basis of the most probable replacement cost in 1978.

It should be noted that the Total Remuneration Comparisons portray annual rates of pay, not annual actual pay. Included in an employee's actual pay are payments for time not worked such as sick leave, vacation and holidays. The cash-equivalent of these plans has been included in the charts since they are clearly add-ons to the annual salary or cash compensation rate, and there is a difference in compensation between jobs with identical cash compensation but which provide different vacation and holiday policies, e.g., a position which pays \$30,000 per year with two weeks vacation clearly is worth less than a position at the same compensation but which provides five weeks of vacation per year.

II. ASSUMPTIONS USED FOR SPECIFIC CALCULATIONS

The following are the specific assumptions used for calculating the cash-equivalent benefit values.

1. OPTIONAL PLANS

For optional plans or plans offering optional amounts of coverage, it was assumed that the employees opted to participate and chose the highest amount of coverage available except for Voluntary AD&D, where the amount of coverage was limited to 300% of salary.

2. COST-SHARING

Where employees contribute to the cost of a plan, the value was reduced by the percentage of the cost or the portion of the coverage paid by the employee to obtain the employer paid cash-equivalent benefit value. The Employer Paid cash-equivalent benefit values under insurance plans were increased by 10% of the total cash-equivalent value in order to recognize an additional value for offering such plans on a group purchase basis even if employee paid (to assure equitable results, this credit was given independently of who pays the cost).

III. REPRESENTATIVE VALUES

Representative values placed on various benefits are shown below:

PERQUISITES

a. Executive Dining Room

The cash-equivalent for an executive dining room was valued at \$750 per year for employer paid meals. Lower values were used where meals were not fully paid by the employer.

b. Company Cars for Executives

The cash-equivalent varied from \$3,000 to \$5,000 per year depending on the Hay point level.

c. Physical Examinations

A cash-equivalent of \$200 was applied for annual company paid examinations with lower values applied for biennial exams.

d. Executive Medical Expense Reimbursement

The cash-equivalent was determined at \$1,100 per year.

e. Club Memberships

A cash-equivalent of \$750 was applied for club memberships.

f. Personal Financial Counseling

The cash-equivalent ranged from \$2,500 to \$3,600 based on the salary level.

g. Excess Personal Liability

A cash-equivalent of \$100 was applied for company paid coverage.

h. Stock Options

Stock options were not included in the calculation of cash-equivalent values.

DEATH BENEFIT PLANS

a. Group Life Insurance

The cash-equivalent was based on the amount of coverage before and after retirement and the disability provision. Yearly rates per \$1,000 of insurance varied from \$5.04 to \$7.87.

b. Dependents' Group Life Insurance

A cash-equivalent of between \$3 and \$30 was applied based on the amount of coverage for the spouse and children.

c. Group Survivor Income Benefit Insurance

The cash-equivalent was based on the amount of benefit provided for the spouse and children, the duration of payments and the remarriage provision. For example, a rate of 0.81% of salary was applied for a benefit of 25% of salary to the spouse for life terminating on remarriage with no remarriage payment.

d. Group Accident Insurance

A standard cost of between \$0.07 and \$0.66 per year per \$1,000 of insurance was used depending on the type of coverage.

e. Business Travel Accident Insurance

A rate of \$0.27 per year per \$1,000 of insurance was used.

DISABILITY INCOME PLANS

a. Sick Leave/Salary Continuance

Formal plans were valued under a schedule based on a weighted service assumption with rates up to 3.64% for 52 weeks' sick leave. Informal sick leave plans were calculated on the basis of the waiting period for Long-Term Disability benefits, if an LTD plan was reported. Informal plans were assumed to provide 13 weeks' sick leave at full pay followed by up to 13 weeks at partial pay but not to exceed the LTD waiting period.

For plans which provide for an accumulation of days per month of service, the benefit was converted to an equivalent benefit under a scheduled basis.

b. Sickness & Accident (Weekly Indemnity) Insurance

Plans were valued on the basis of the elimination period for non-hospitalized and hospitalized accidents and sicknesses, the benefit formula, maximum weekly benefit and maternity benefits, if any. For example, a 4-4-26 plan (with first day in event of hospitalization) was valued at \$10.94 per year per \$10 weekly benefit. A six week maternity benefit would add \$1.20 per year per \$10 weekly benefit.

c. Long Term Disability Insurance

A schedule was used which relates to a standard rate per year per dollar of monthly benefit, varying by elimination period and duration, less an offset for plans integrated with Social Security. For example, an individual earning more than the Social Security maximum would produce a rate of \$13.50 per \$100 of excess monthly benefit, payable to age 65, with a six month elimination period.

HEALTH PLANS

a. Hospital/Medical Coverage

The cash-equivalent value for a Basic/Major Medical or Comprehensive plan varied from \$200 to \$1,200 depending on benefits covered, deductible and coinsurance.

b. Dental Coverage

The cash-equivalent value for dental coverage was based on the expenses covered, amount of deductible and percent coinsurance with rates up to \$330.

c. Optical Coverage

The cash-equivalent value for optical care was calculated between \$2 and \$40 depending on expenses covered and percent of charges covered.

d. Retiree Hospital/Medical Coverage

Medicare premiums paid by the employer were given an annual value of up to \$55, depending whether the subsidy covers the dependent spouse premium, and depending on the percent of the premium paid by the employer.

Employer post-65 hospital/medical plans supplementing Medicare were given an annual value of up to \$137.

RETIREMENT BENEFIT PLANS

a. Pension Plan

The cash-equivalent values were related to the type of plan, the latest update (for career average plans), the benefit formula, maximum years of credited service (if any), payment of the pension, normal and early retirement provisions, spouse's pension, Social Security integration, disability provision and cost-of-living adjustment.

For example, the rate for a 1% final five-year average benefit, not integrated with Social Security, payable unreduced from age 62, fully indexed per the CPI, with no maximum credited service and no company paid spouse pension, is 8.64% of salary.

b. Profit Sharing/Stock Bonus Plan

The cash-equivalent value was calculated based on the company contribution (as a percent of pay) for the last five years (or years since effective date if less).

c. Thrift/Savings Plan

Contributions to thrift or savings plans were listed at the rate produced from the maximum matching, e.g., 6% of pay matched at 50% produces a 3% cash-equivalent value.

PERSONNEL POLICIES

a. Holidays and Vacations

These values were calculated at the rate of .384% of salary per holiday and 1.92% of salary per week of vacation. The cash-equivalent value for vacations whose length depends on service was based on a weighted service assumption.

b. Company Cafeterias

A rate of \$350 was applied for company paid meals, with lower values if not fully subsidized.

STATUTORY BENEFITS

Three statutory benefit plans were included in the cash-equivalent values for private sector organizations.

a. Social Security

The 1978 rate was used, namely, 6.05% of the first \$17,700 or a maximum of \$1,070.85.

b. Worker's Compensation and Unemployment Insurance

A cash-equivalent value of \$100 was used for these two programs.

K

SUMMARY OF EMPLOYEE BENEFITS

The Tables below indicates the prevalence of the major benefit practices among the 306 American Business companies and the 13 selected multinational companies. In addition, the Federal Civil Service and the Foreign Service practices are denoted by an *.

| <u>Perquisites</u> | <u>Prevalence of Practice</u> | | | |
|---|-------------------------------|--------------------------------|------------------------------|------------------------|
| | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
| Stock Options | 62% | 58% | no | no |
| Stock Appreciation Rights | 17% | 18% | no | no |
| Stock Bonus Plan | 6% | 18% | no | no |
| Executive Stock Purchase Plan | 4% | - | no | no |
| Deferred Compensation Plan | 20% | 33% | no | no |
| Non-Qualified Supplemental Retirement Plan | 20% | 67% | no | no |
| Executive Dining Room | 20% | 17% | no | no |
| Employer - Provided Car | 65% | 33% | no | no |
| Parking | 79% | 75% | * | * |
| Physical Examinations | 84% | 72% | no | no |
| Special Executive Vacations | 36% | 25% | no | no |
| Country Club Memberships | 49% | 67% | no | no |
| Luncheon Club Memberships | 54% | 36% | no | no |
| Mortgages/Loans | 13% | 27% | no | no |
| Personal Legal Services | 7% | 8% | no | no |
| Personal Financial Counseling | 7% | 41% | no | no |
| Employer Paid Spouse Travel on Company Business | 47% | 64% | no | no |

| | | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
|---|---|------------------------------|------------------------------------|----------------------------------|----------------------------|
| <u>Life and Accident Insurance</u> | | | | | |
| Basic Group Life | Plan Provided | 100% | 100% | * | * |
| | Cost: - Employer Paid | 72% | 62% | | |
| | - Shared | 26% | 38% | * | * |
| | - Employee Paid | 2% | 0% | | |
| | Coverage: - Under 100% of Earnings | 2% | 0% | | |
| | - 100% of Earnings | 25% | 50% | * | * |
| | - Over 100% of Earnings | 73% | 50% | | |
| | Coverage at Retirement: - Terminated | 31% | 8% | * | * |
| | - Continued in Part | 66% | 92% | | |
| | - Continued in Full | 3% | 0% | | |
| Supplemental Group Life Insurance | Plan Provided | 51% | 69% | * | * |
| | Cost: - Employer Paid | 7% | 0% | | |
| | - Shared | 34% | 44% | | |
| | - Employee Paid | 59% | 56% | * | * |
| Group Survivor Income Insurance | | 13% | 8% | no | no |
| Dependents Group Life | | 27% | 46% | no | no |
| Accidental Death and Dismemberment Insurance | | 84% | 92% | * | * |
| Voluntary AD&D Insurance | | 25% | 46% | no | no |
| Business Travel Accident Insurance | | 77% | 92% | no | no |

| | | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
|---------------------------------------|---|------------------------------|------------------------------------|----------------------------------|----------------------------|
| <u>Sickness and Disability Income</u> | | | | | |
| Sick Leave/Salary Continuance | Type of Policy: | | | | |
| | - Specified weeks per illness or per year | 72% | 7% | | |
| | - Accumulation of days per month or year | 18% | 15% | * | * |
| | - Other | 10% | 8% | | |
| | Accumulated Days Per Year | | | | |
| | - Under 13 Days | 88% | 100% | | |
| | - 13 Days | 6% | - | * | * |
| | - Over 13 Days | 6% | - | | |
| | Plan Provided | 91% | 92% | no | no |
| | Earnings Related Coverage: | | | | |
| Long Term Disability Insurance | 50% | 23% | 42% | | |
| | 60% | 54% | 50% | N/A | N/A |
| | 65-69% | 13% | - | | |
| | Other | 10% | 8% | | |
| | Cost: - Employer Paid | 59% | 33% | | |
| | - Shared | 24% | 25% | N/A | N/A |
| | - Employee Paid | 17% | 42% | | |
| | | | | | |
| | | | | | |
| | | | | | |

| | | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
|-------------------------|---|------------------------------|------------------------------------|----------------------------------|----------------------------|
| <u>Health Insurance</u> | | | | | |
| Hospital/Medical | Covered Expenses not subject to Deductible: | | | | |
| | - Hospitalization | 81% | 100% | * | * |
| | - In-Hospital Medical | 61% | 77% | * | * |
| | - Surgical | 79% | 100% | * | * |
| | - X-Rays, Lab. Tests | 61% | 85% | * | * |
| | - Doctors' Office Visits | 10% | 0% | * | * |
| | - Extended Care Facilities | 25% | 31% | * | * |
| | - Maternity | 76% | 100% | * | * |
| | - Optical | 5% | 0% | | |
| | Cost of | | | | |
| | Employee Coverage: - Employer Paid | 64% | 54% | | |
| | - Shared | 36% | 46% | * | * |
| | - Employee Paid | - | - | | |
| | Cost of | | | | |
| | Dependent Coverage: - Employer Paid | 40% | 23% | | |
| | - Shared | 57% | 77% | * | * |
| | - Employee Paid | 3% | - | | |
| <u>Dental Insurance</u> | | | | | |
| | Plan Provided | 44% | 54% | no | no |
| | Cost: - Employer Paid | 68% | 57% | | |
| | - Shared | 29% | 43% | N/A | N/A |
| | - Employee Paid | 3% | - | | |

| <u>Retirement Income</u> | | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
|--------------------------|---|------------------------------|------------------------------------|----------------------------------|----------------------------|
| Pension Plan | Provided | 93% | 100% | * | * |
| | Type of Plan: | | | | |
| | - Final Average Earnings | 81% | 85% | * | * |
| | - Career Average Earnings | 12% | 15% | | |
| | - Other | 7% | - | | |
| | Percent Benefit Per Year of Service: | | | | |
| | - Under 2.0% of Earnings | 59% | 68% | | |
| | - 2.0% of Earnings | 13% | - | | * |
| | - Over 2.0% of Earnings | 2% | 17% | | |
| | - Varies with Service | 20% | 15% | * | |
| | - Varies with Age | 1% | - | | |
| | - Other | 5% | - | | |
| | Years for Final Average Earnings: | | | | |
| | - 3 Years | 3% | - | * | * |
| | - 5 Years | 90% | 100% | | |
| | - Other | 7% | - | | |
| | Maximum Years Credited Service: | | | | |
| | - Under 35 Years | 21% | 7% | | |
| | - 35 Years | 11% | 7% | | * |
| | - Over 35 Years | 13% | 17% | * | |
| | - No Maximum | 55% | 69% | | |

| | <u>American Business</u> | <u>Selected Multinationals</u> | <u>Federal Civil Service</u> | <u>Foreign Service</u> |
|--|------------------------------|------------------------------------|----------------------------------|----------------------------|
| Cost-of-Living Pension Increases for Pensioners: | | | | |
| - Yes: Guaranteed | 11% | - | * | * |
| - Yes: Informal | 41% | 85% | | |
| - No | 48% | 15% | | |
| Required Employee Contributions: | | | | |
| - Under 7% of pay | 12% | 8% | | |
| - 7% of pay | 0% | - | * | * |
| - Over 7% of pay | 0% | - | | |
| - No Required Contributions | 88% | 92% | | |
| Normal Retirement Age: | | | | |
| - 60 | 0% | - | | * |
| - 62 | 2% | - | * | |
| - 65 | 98% | 100% | | |
| Profit Sharing Plan | Plan Provided | | | |
| | 22% | 14% | no | no |
| Employer Contribution as % of Employee Compensation: | | | | |
| - Under 5% | 20% | 50% | | |
| - 5-9% | 46% | 50% | N/A | N/A |
| - 10% Plus | 34% | - | | |
| Thrift/Savings Plan | 36% | 62% | no | no |

Holidays and Vacations

Holidays

Numbers of Days:

| | | |
|-----------|-----|-----|
| - Under 9 | 11% | 8% |
| - 9 | 26% | 8% |
| - Over 9 | 63% | 88% |

Vacation
(Annual Leave)Service Required for
3 Weeks Vacation:

| | | | | |
|-----------------|-----|-----|------------------------|------------------------|
| - Under 5 years | 12% | 16% | (Immediate 13 days) | (Immediate 13 days) |
| - 5 Years | 43% | 61% | | |
| - Over 5 Years | 45% | 23% | | |

Service Required for
4 Weeks Vacation:

| | | |
|-----------------|-----|-----|
| - Under 3 Years | 1% | 0% |
| - 3 Years | 0% | 8% |
| - Over 3 Years | 99% | 92% |

Service Required for
5 Weeks Vacation:

| | | | | |
|------------------|-----|------|-----------|-----------|
| - Under 13 Years | 2% | 9% | | |
| - 13 Years | 3% | 0% | * | * |
| | | | (24 days) | (24 days) |
| - Over 13 Years | 95% | 100% | | |

Maximum Weeks Vacation:

| | | |
|-----------|-----|-----|
| - 3 Weeks | 7% | - |
| - 4 Weeks | 34% | 27% |
| - 5 Weeks | 44% | 65% |
| - 6 Weeks | 15% | 8% |

SUMMARY DESCRIPTION OF FOREIGN SERVICE AND
PRIVATE SECTOR OVERSEAS BENEFITS AND ALLOWANCES

- A. FOREIGN SERVICE
- B. PRIVATE SECTOR

A. DEPARTMENT OF STATE - FOREIGN SERVICE

SUMMARY DESCRIPTION OF BENEFITS AND OVERSEAS ALLOWANCES

BENEFITS

- ANNUAL LEAVE
- MEDICAL BENEFITS
- RETIREMENT BENEFITS
- OTHER BENEFITS

OVERSEAS
ALLOWANCES

- LIVING QUARTERS ALLOWANCE
- POST ALLOWANCE
- HARDSHIP POST DIFFERENTIAL
- REPRESENTATION ALLOWANCE
- OFFICIAL RESIDENCE EXPENSES
- EDUCATION ALLOWANCE
- HOME LEAVE
- REST AND RECUPERATION LEAVE
- RELOCATION ALLOWANCES
- OTHER SERVICES

BENEFITS

ANNUAL LEAVE

The same annual leave policy applies for employees overseas (i.e. 26 days after 15 years, 20 days after 3 years and 13 days if less than 3 years) except that the maximum accumulation from year to year is 45 days for overseas employees versus 30 days for domestic employees.

MEDICAL BENEFITS

In addition to the many optional plans available to the U.S. government employees, Foreign Service employees may join the Foreign Service Benefit Plan which is sponsored by the American Foreign Service Protective Association. The Government contributes the same amount to this plan as for all plans available to the U.S. government employees.

For overseas employees, hospital and medical services are provided under the Department of State Medical Program at no cost to employees other than a \$35 deductible for dependents. The program covers the same general expenses as those covered under the private plans (Blue Cross, Aetna, etc.). Employees are encouraged to maintain their private plan coverage while overseas.

RETIREMENT BENEFITS

Retirement and disability benefits are provided under the Foreign Service Retirement and Disability System. These benefits are basically identical to those provided under the Civil Service Retirement System except for the benefit accrual rate which is 2% of highest 3 year average basic salary for each year of service up to a maximum of 70% instead of 1½% for the first 5 years of service, 1 3/4% for the next 5 years and 2% for subsequent years up to a maxim of 80%. Also, the compulsory retirement age for career ambassadors or ministers is 65 and 60 for other foreign service employees while there is no longer a mandatory retirement age for civil service employees. Optional retirement is available as early as age 50 with 20 years of service compared to age 55 with 30 years of service (or age 60 with 20 years of service or age 62 with 5 years of service) under the civil service plan.

OTHER BENEFITS

All other benefits for foreign service personnel are the same as those applicable to civil service employees.

OVERSEAS ALLOWANCES

LIVING QUARTERS ALLOWANCE

The State Department provides all overseas employees either with living quarters or an allowance based on the average cost of housing at each location.

POST ALLOWANCE

A post allowance is made where the foreign cost-of-living (excluding housing and education) is higher than in Washington, D.C.

This allowance takes into account the availability of special services which may be available only to Federal employees (such as commissary, PX or duty-free purchases).

HARDSHIP POST DIFFERENTIAL

This is a premium for service in locations having extraordinary difficult or unhealthful living conditions. This allowance varies from 10% to 25% of the employee's salary. This type of allowance is paid in a limited number of locations.

Whereas all other allowances are non-taxable, the employee must pay income tax on this allowance.

REPRESENTATION ALLOWANCE

These allowances help to defray costs of official entertainment and incidentals. Specific funds are allocated to each post each year from which eligible employees incurring representation expenses can be reimbursed.

OFFICIAL RESIDENCE EXPENSES ALLOWANCE

This allowance covers the unusual expenses incident to the operation and maintenance of official residences suitable for the chief representatives of the United States at such posts.

At most posts, only the chief of mission is eligible for such allowance. At the larger posts, his senior assistants may also obtain such expense allowance.

The amount of allowance is based upon the difference between normal housekeeping expenses (assumed to be 5% of salary) and the costs the principal representatives are required to bear.

EDUCATION ALLOWANCE

These are allowances to cover the cost of adequate schooling, which is in excess of the cost that would be incurred for a dependent in a U.S. public school. If no adequate school is available at the post of the employee, the allowance also covers room and board and periodic transportation between the nearest adequate school and the post.

For dependent children attending college in the U.S., this allowance covers only the cost of one trip per year from college to the post where the family is located.

HOME LEAVE

Home leave is provided annually after an employee has been in tour at least 18 months. Home leave is accumulated at the rate of 15 days per year additional to the annual leave.

Home leave is generally taken in-between post assignments. On average, home leaves are taken every 2 years for a duration of 20 days.

REST AND RECUPERATION LEAVE

Provided at a limited number of hardship posts, the leave is taken at a location abroad having different environmental conditions than those at the post. Such leave may not be taken more than once during any continuous two-year tour unbroken by home leave and twice during any continuous three-year tour unbroken by home leave. Only the round-trip airfare is paid for. No additional leave time is provided, i.e. it must be taken as part of annual leave.

RELOCATION ALLOWANCES

The Foreign Service Act provides allowances for the payment of expenses incurred while relocating. Among these are:

- . Temporary Lodging Allowance
- . Foreign Transfer Allowance
- . Home Service Transfer Allowance
- . Evacuation Payments

All of these allowances are designed to defray the costs associated with relocation, including temporary lodging. Some expense reimbursements are subject to a maximum amount (such as wardrobe and miscellaneous transfer expenses).

OTHER SERVICES

Depending on the location, foreign service employees may be able to take advantage of certain services such as duty-free purchases, military PX and Commissaries. However, these are not available at all locations. In addition, the availability of these services is taken into account in the establishment of the Post Allowance.

B. GENERAL PRIVATE SECTOR PRACTICES FOR EXPATRIATE ALLOWANCES
AND PRACTICES OF THE 13 SELECTED MULTINATIONAL ORGANIZATIONS

INTRODUCTION

BENEFITS

- ANNUAL LEAVE
- MEDICAL BENEFITS
- RETIREMENT BENEFITS
- OTHER BENEFITS

OVERSEAS
ALLOWANCES

- OVERSEAS PREMIUM
- HOUSING ALLOWANCE
- COST-OF-LIVING ALLOWANCE
- HARDSHIP POST PREMIUM
- DOMESTIC EXPENSES ALLOWANCE
- EDUCATION ALLOWANCE
- HOME LEAVE
- RELOCATION ALLOWANCE
- INCOME TAX EQUALIZATION ALLOWANCE

INTRODUCTION

Following is a summary of the general overseas allowance practices followed by private sector organizations, together with the specific practices of the 13 U.S. multinational organizations selected for comparisons purposes.

The description of general sector practices is based on Hay Associates' past experience in this area, supported by the State Department Allowances Staff's own understanding of private sector practices. In addition, two surveys of expatriate compensation practices by The Conference Board¹ and by Dr. Cecil G. Howard² support Hay Associates' knowledge and understanding of private sector practices.

¹"Compensating Key Personnel Overseas", Conference Board Report No. 574, The Conference Board, Inc.

²"Overseas Compensation Policies of U.S. Multinationals", The Personnel Administrator, November, 1975.

EMPLOYEE BENEFITS

ANNUAL LEAVE

General Practice: The domestic annual leave policy is generally applied to expatriates.

13 Multinationals: All 13 companies apply the U.S. annual leave policy for expatriates.

MEDICAL BENEFITS

General Practice: The private sector practices vary regarding medical benefits. Most organizations maintain their domestic medical insurance plan which then reimburses on the basis of cost in U.S. for equivalent medical service. Some organizations will supplement the insurance by reimbursing employees for part or all expenses not reimbursed under the medical plan. In remote or undeveloped areas, some companies have their own medical facilities and provide free care to employees and their families.

13 Multinationals: Specific information on the practices of the selected multinational organizations in each location was not available. All 13 companies, however, reported maintaining their domestic medical plan benefits.

RETIREMENT BENEFITS

General Practice: The majority of organizations continue the domestic plan for expatriates. Few organizations provide a foreign service supplement and those that do provide such supplement only for certain hardship areas.

13 Multinationals: All 13 companies reported continuing their domestic plan for expatriates.

OTHER BENEFITS

General Practice: All other benefits for expatriate employees are generally the same as those applicable to domestic employees.

13 Multinationals: All 13 companies reported having the other benefits to be the same for expatriate employees.

EXPATRIATE ALLOWANCES

OVERSEAS PREMIUM

General Practice: The majority of U.S. multinationals pay a premium to induce employees to work overseas. The amount is usually determined as a percent of base salary, generally between 10% and 20%. Some organizations limit the amount of the premium to a maximum sum.

13 Multinationals: Of the 13 companies, 8 reported an overseas premium of 15% of base salary, 1 reported a premium of 15% on the first \$24,000 of salary and 10% on the excess, 1 reported a premium of 10% of base salary, while 3 reported that no overseas premium was paid.

HOUSING ALLOWANCE

General Practice: The majority of U.S. multinationals have a housing subsidy policy for their expatriates. Except for special situations where companies own or rent housing for their employees, the subsidy generally consists of an amount added to the regular compensation. The amount generally covers the portion of the housing costs in excess of usual costs in the U.S. The amount the employee is expected to pay is generally that which the company perceives as a "normal" amount paid by employees for rent in the U.S.

The housing cost is generally based on one of the surveys published either by the State Department or private organizations (ORC, AIRINC, etc.)

13 Multinationals: Of the 13 companies, 7 reported basing the allowance on the ORC¹ Tables, 5 reported using data published by other private organizations (AIRINC, INCOM, etc.) while 1 reported not using any published surveys.

¹Organization Resources Counselors, Inc.

COST-OF-LIVING

General Practice: This allowance covers the difference between the cost-of-living overseas and in the U.S. It is generally based on one of the surveys published by the State Department or private organizations (ORC, etc.). The amounts are generally higher than those provided government employees overseas because of the special services (duty-free purchases, military PX, etc.) which are often available for government employees but not for private sector employees.

13 Multinationals: Of the 13 multinationals, 8 reported basing their allowances on the ORC Tables, 1 on the State Department's data and the other 4 on data published by other private organizations.

HARDSHIP POST PREMIUM

General Practice: This is a premium for service in locations having extraordinary difficult or unhealthful living conditions. It is usually calculated as a percent of base salary. Organizations often utilize the State Department practice in determining the locations eligible for this allowance and the level of such.

13 Multinationals: Since ORC uses the State Department policy for determining the hardship post premium for their clients, the 7 companies which use ORC data therefore utilize the same practice as the State Department. Two companies indicated they do not pay a hardship allowance. The remaining 4 companies did not specify their basis.

DOMESTIC EXPENSES ALLOWANCE

General Practice: There is no generalized practice in this area. It often varies with the local practice and the size of each company's operations. When provided, such allowance (or expense reimbursement) is generally limited to a few top positions.

13 Multinationals: Of the 7 companies which had provided information on this subject, 4 indicated they do not generally pay for the cost of domestic help, while 3 indicated they pay for the cost of some help (generally maid and/or chauffeur).

EDUCATION ALLOWANCE

General Practice: Most U.S. multinationals provide an education allowance for children which covers the tuition and room and board costs at the nearest school providing adequate education. In addition, there is generally a minimum of one paid trip per year to and from the school.

There is generally no allowance for college education. However, an annual trip from college to the overseas location is often paid for.

13 Multinationals: All 13 companies indicated that they provide an education allowance which covers tuition, room and board, and transportation.

HOME LEAVE

General Practice: The majority of U.S. multinationals provide expatriate employees a home leave. No additional time off is generally provided (the annual leave policy applies), although companies often provide a minimum paid home leave of 4 weeks irrespective of years of service. The expense covered include travel to and from home base only.

The frequency of home leave varies between every year to every three years with every two years as the most prevalent practice.

13 Multinationals: Of the 13 companies, 10 provide a home leave every year, 1 provide one every 2 years while the other 2 did not specify. Specific information on the duration of paid home leave was not available for all but four participants: two indicated a minimum paid home leave of 3 weeks and the other two indicated a minimum of 4 weeks.

RELOCATION ALLOWANCE

General Practice: U.S. multinationals generally cover all relocation expenses including temporary housing costs, when necessary. Few have dollar limits on amounts reimbursed (other than "reasonable and necessary"). Some organizations have special allowances for "draperies, etc."

Shipping of cars is not usually reimbursed. However, a number of organizations either provide cars to their overseas managers or provide assistance in the purchase of a new car overseas.

13 Multinationals: All 13 companies indicated covering all relocation expenses. Specific information on their policies was not reported.

INCOME TAX ALLOWANCE

General Practice: The vast majority of U.S. multinationals provide expatriates an Income Tax Allowance to cover the excess of any foreign tax above that which they would have had to pay if they had been working within the United States. However, the method used for calculating the Income Tax Allowance can vary. The prevalent practice is to equalize the compensation to that which the employee would have received on a net basis in the U.S. and cover all taxes on the overseas allowances such that they are effectively received on a tax-free basis.

13 Multinationals: All 13 companies reported providing an Income Tax Allowance which equalizes the total compensation (base salary plus bonus, if any) such that employees pay the same tax on their total compensation as if they lived in the United States. In addition, the allowance reported cover taxes on all overseas allowances such that employees receive these allowances in full.

M

ESTIMATED SIZE OF THE AVERAGE DISTINCT
FOREIGN SERVICE FAMILY UNIT

The estimation of the size of the average distinct Foreign Service family unit was based on computer-produced data provided by the Department of State. The figure is an estimate because the raw data was incomplete in two minor respects¹, but was statistically adjusted to compensate where feasible. The resulting estimate is very precise, and was derived by computing the average number of Foreign Service-approved personnel per distinct Foreign Service family unit. The total number of approved personnel consists of all single and married members of the Foreign Service, plus all approved dependent children, plus all approved dependent adults. Spouses who are also members of the Foreign Service were counted once. The estimated number of distinct family units includes all single and married members of the Foreign Service but adjusts for cases in which both husband and wife are in the Foreign Service. From these calculations, the size of the average distinct Foreign Service family unit is estimated to be 2,8722, and is rounded to 3 (husband, wife, and one child).

1. The missing data consisted of: (1) members of the Foreign Service who did not report marital status. An estimate of the number of cases in which both a husband and wife were both members of the Foreign Service was used to adjust the data; and (2) the number of individuals reporting as Foreign Service members and as married to a Foreign Service officer was an uneven number, an impossibility since the total must be even. To address this circumstance, a conservative estimate was made: one individual in the unknown marital status category was assumed to be a Foreign Service officer married to another Foreign Service officer.

N

REFERENCES

- Hay Compensation Comparison U.S.A.: Industrial Management. Hay Associates, Philadelphia, Pa. 1978.
- Hay Compensation Comparison U.S.A.: Financial Management. Hay Associates, Philadelphia, Pa. 1978.
- Hay Compensation Comparison U.S.A.: Service Management. Hay Associates, Philadelphia, Pa. 1978.
- Hay Noncash Compensation Comparison. Hay Associates, Philadelphia, Pa. 1978.
- Heisler, E.A., and Kerr, R.D. Officer Job Evaluation Study in the Australian Permanent Defense Forces. Australian: Hay Associates, March 1974.
- Pappas, L.D., Fisher, Jr., A.H., and Martin, Jr., F.B. An Analysis of Selected Linkages Between Military and Civil Service Occupations. The 1975 Quadrennial Review of Military Compensation of the Office of the Deputy Assistant Secretary of Defense (MPP), The Pentagon, Washington, D.C., April 1976.
- Pappas, L.D., Fisher, Jr., A.H., and Doren, M.J. A Comparison of the Civil Service Classification System and the Hay Method of Job Evaluation. United States Civil Service Commission, Washington, D.C., August 1976.
- Siegel, S. Nonparametric Statistics for the Behavioral Sciences. New York: McGraw-Hill, 1956.
- Standing Reference on the Pay of the Armed Forces Report No. 142, National Board for Prices and Incomes, H.M. Stationary Office, February 1970.
- Washington, D.C. Metropolitan Area Non-Exempt Salary Survey, Hay Associates, Washington, D.C., 1978.